



**THE** Briefing  
2008 RESEARCH REVIEW



## Why do we do what we do?

Whenever I travel – most recently to Manila, Pretoria and Islamabad – I am always struck by the incredible complexities of life. As I walk through

airports and cities, I realize that there are literally billions of decisions that people are making every single day. It is impossible for anyone to understand fully all of these decisions.

So what can we in the Andrew Young School of Policy Studies do?

I am convinced that what we can do is help put in place the best policies that will enable these individuals to make the best decisions, even in the face of all the complexities that they must encounter. Indeed, this is exactly the vision of Andrew Young. He believes that sound policies based on sound research can help lift people out of poverty. This is a noble vision. It motivates most all of what my colleagues and I at the Andrew Young School actually do.

I also believe that we have had, and will continue to have, success in achieving this vision. Our success can be traced to an entrepreneurial environment that encourages a passion for policy-relevant research, as well as policy-relevant teaching inside the classroom, at the statehouse and as far away as the Philippines, South Africa and Pakistan.

Indeed, we have produced impressive amounts of purely “academic research.” In 2007 our faculty and research associates published 291 scholarly papers, chapters and books. We had another 109 papers under review or in revision. We edited or co-edited 11 journals, and served on 27 journal advisory

boards. My colleagues and I made 185 presentations in the United States, and we were invited abroad to make another 53 presentations.

AYS graduate students are similarly making a difference in the policy arena. During the last calendar year, the AYS awarded a record 91 master's and 26 doctoral degrees to students who on their own or in collaboration with faculty had 38 scholarly papers accepted, published or under review and presented 49 papers at professional conferences.

Far more important than the volume of our academic research is its impact. The connection between our school's academic production and policy impact is evident in areas that include the environment, nonprofit management, health, fiscal policy and public administration. It is no exaggeration to say that our work is making a real difference in the design, evaluation and implementation of policies in Georgia, the United States and around the world. We help put in place the institutions that enable and empower individuals to make the best possible choices in an increasingly complicated world.

Our friends and peers in public policy have taken note of the work at the Andrew Young School. Their knowledge of our academic production – and, more important, our policy impact – has led them to consistently place the AYS ahead of most in national rankings of policy schools and departments.

The stories that follow demonstrate all of this. I hope that you will be as convinced as I, my colleagues and our peers elsewhere are that we are helping put in place the policies that make it possible for people to improve their lives.

**James Alm**

***The Andrew Young School is grateful to James Alm for his dedicated leadership in the Dean's Office from July 2007 to September 2008. Associate Dean Robert Moore began serving as interim dean in October 2008 and will continue until Georgia State completes a national search for a new dean.***

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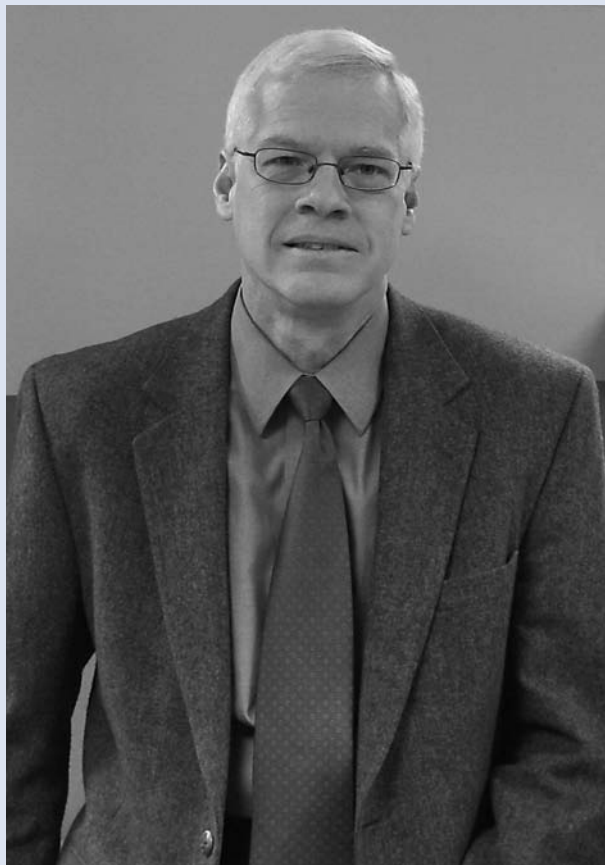
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# leading LABOR ECONOMIST *fills* Usery Chair

**PROFESSOR BARRY T. HIRSCH** joined the Andrew Young School in January 2008 as the first holder of the W.J. Usery Chair of the American Workplace. He is recognized nationally for his research on wage and employment determination across labor markets, as well as for his UnionStats.com Web site.

Hirsch has studied labor compensation for the U.S. Postal Service and a number of other industries. He says the work being done by AYS faculty members was a major draw for him: "What attracted me is the research faculty here – the size, quality and type of research they do and support – heavily applied microeconomics and policy research. I get really excited about much of what this school does.

"I believe that good research influences public policy, although not necessarily quickly or directly. Good research helps economists and policy makers understand the stylized facts, appreciate the ways in which labor markets and the economy operate, and roughly approximate the benefits and costs associated with alternative policies. Such information ultimately helps inform and improve policy decisions, sometimes leading to the adoption of attractive policies or sometimes blocking the adoption of inappropriate policies," he says.

"Barry is one of the leading scholars in the world of labor economics," says James Alm. "He is the ideal person to be the very first holder of the Usery chair. We have very high expectations for him here at the Andrew Young School. At the end of the day, we want Barry to make the AYS the place people think of when emerging workplace issues are being discussed. Barry, I think, is the perfect person to lead that mission."

The Usery Chair was created with the support of W.J. "Bill" Usery, who had served as Secretary of Labor under President Gerald Ford and Assistant Secretary of Labor under President Richard Nixon. He founded The Usery Center at Georgia State following a remarkable career that included five presidential appointments. He has also consulted for the federal government and major private corporations.

"When Roy Bahl and I started talking about candidates for the chair, Barry's name came to the top pretty quickly," says Usery, "but we didn't think we would stand a chance of getting him, really. We were tremendously excited – I was certainly excited – when he chose to come to Georgia State.

"I am very much impressed with Barry, and I've had the privilege to be around a lot of good economists," he says.

Georgia State President Carl Patton reflected on the several important contributions Hirsch's new appointment embodies during a dinner welcoming Hirsch and his wife, Linda, to Atlanta and the AYS. "The Andrew Young School has already made a tremendous impact on this nation. It is going to continue to make a tremendous impact," he said.

"The importance of a named chair to the university can't be overstated. It brings focus on important topics. It attracts world-class talent. A named chair also reflects well on the university," Patton continued. "If you're going to be a great university, you have to have named chairs.

"Bill Usery is a good friend, and one of our great supporters. I'm so pleased to see that he has seen fit to fund the Usery Chair of the American Workplace at Georgia State.

"I thank Bill for his vision and his wisdom and his support, and his friendship – not only for me, but also for Georgia State. The combination of Barry Hirsch and Bill Usery is a terrific combination of experience in the workforce and intelligence in addressing these issues."

Hirsch divides his work into two major areas. "Most of my research is looking at wage determination – why wages differ," he says. "The other area, where I made my name early on, was looking at union effects in the workplace, in particular, effects on things like productivity, investment, profitability and investment."

His research interests reflect Usery's concerns. "The workplace is being driven by market forces that are hard to understand," Hirsch continues. "Technology is rapidly changing. We have big flows of people moving across states and borders. We have big flows of capital investment – money and plants – moving around the world, wherever it can get the highest return.

"In this very dynamic world, the real question is what determines the well-being of workers? What's the workplace governance norm?" he continues. "I see the Usery Chair producing high-quality research that helps us really understand how labor markets work, how wages and employment are determined. Also, we will spread that knowledge not only among other researchers, but among policy makers, the public and others. Indirectly, I think that influences policy over time."

Hirsch created and maintains the popular Web site on union membership, UnionStats.com, with David Macpherson of Florida State University. He serves on five editorial boards, has refereed articles for more than 40 economics journals, and published more than 80 articles and chapters in academic texts. A former president of the Southern Economic Association, he came to Georgia State from Trinity University in San Antonio, Texas.

*... the real question is  
what determines the  
well-being of workers?*

**BARRY HIRSCH**

# Andrew Young School ranks 27th in U.S. News



U.S. News & World Report recently ranked the Andrew Young School of Policy Studies 27th among the nation's top 269 graduate programs in public affairs in its popular *America's Best Graduate Schools 2009* edition, which hit the newsstands in March. This ranking places the AYS among the top 10 percent of the country's best public policy schools.

The AYS ranked among the top 12 percent of policy schools in five categories, up from four in 2005 and two in 2002. Its rankings are

- ▶ 5th in Public Finance and Budgeting
- ▶ 12th in City Management and Urban Policy
- ▶ 12th in Information Technology and Management
- ▶ 13th in Nonprofit Management
- ▶ 18th in Public Policy Analysis
- ▶ 33rd in Public Management and Administration

This year marks the first that U.S. News ranked the AYS in both Nonprofit Management and Information Technology and Management. The school's ranking in Public Policy Analysis rose from 21 to 18.

James Alm said in a message announcing the news to AYS faculty members that the recent rankings "are entirely due to your great scholarship, teaching and outreach activities, and to the vision and energy of Roy Bahl, our founding dean.

"I am very proud to be associated with such distinguished and hardworking colleagues," he said. "All of this is especially noteworthy for a school that has been in existence for little more than a decade. I know that things will only continue to get better and better as our reputation catches up to the high quality of our many activities."

## Active sponsored grants top \$36.3 million in FY08

The AYS reported new external funding for research, instruction and outreach of more than \$12 million

in its fiscal year ending June 30, 2008. The AYS had continuing active grants of more than \$36 million.

"The research dollars AYS received this year averaged more than \$300,900 per tenure track faculty member, the highest average among the six colleges at Georgia State," says Interim Dean Robert Moore. "Our faculty does an exceptional job bringing the world into our classrooms via their research and outreach, benefitting our students and our program."

## AYS Ph.D. in Economics ranks among the best

Several areas of concentration chosen by the Andrew Young School for its Ph.D. program in Economics were ranked highly in an article published April 2008 in the *Southern Economic Journal*.

The rankings were based on scholarly productivity – publications – of each department's 2004 faculty members over the previous 20 years, eight years before the AYS was created. The AYS program ranked 50th overall from among 129 economics Ph.D.-granting institutions in the United States. It ranked first in Georgia.

The journal judged the AYS Department of Economics:

- ▶ 8th in Urban, Rural and Regional Economics

- ▶ 11th in Public Economics
- ▶ 20th in Agricultural and Natural Resource Economics
- ▶ 23rd in Labor and Demographic Economics

High rankings were also given in

- ▶ General Economics and Teaching, 14th
- ▶ Methodology and History of Economic Thought, 16th

"This ranking provides documentation that a strategy of focusing on a few specific areas of concentration yields significant objective results," says Interim Dean Robert Moore. "The findings are useful to students as they research and compare graduate programs with an eye towards specific fields within these programs."

THREE BROAD CATEGORIES define the research agenda of the Fiscal Research Center:

- ▶ intergovernmental fiscal issues,
- ▶ tax policy, and
- ▶ Georgia's economy.

FRC research projects within these categories examine issues ranging from education finance to economic development to fiscal decentralization and all forms of business and personal taxation. FRC research is available at <http://aysps.gsu.edu/frc/publications.html>.

# FRC EXAMINES alternatives to state income tax

Georgia's income tax structure – personal and corporate – is one of many fiscal policy reforms often debated under the Gold Dome. To better inform their positions, legislators often turn to expert research produced by the AYS Fiscal Research Center.

FRC Brief 150, *Revenue Structures of States Without an Income Tax*, (April 2007), examines states that do not collect personal income taxes to determine whether they offer useful models for Georgia. The report finds that each state draws revenue from something unique and identifies several measures Georgia would need to take to match the revenue structure of Washington, its closest fit. It was written by FRC and Domestic Studies Director David Sjoquist, an economics professor and the Dan E. Sweat Distinguished Chair in Educational and Community Policy.

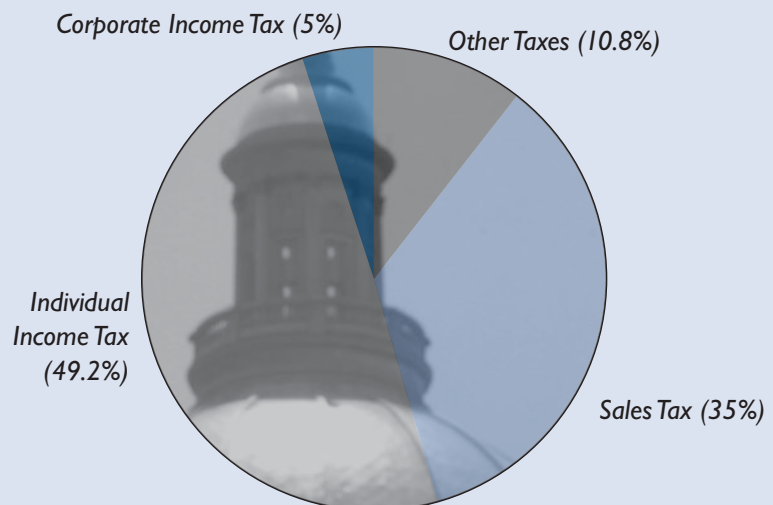
Any change to Georgia's revenue structure should be evaluated within a comprehensive framework, Sjoquist writes. He reminds readers to look at the distribution of the tax burden, the state economy, economic incentives, revenue stability, a federal tax offset, and tax administration and compliance.

In *A Flat Rate Income Tax in Georgia*, (FRC Brief 158, July 2007), Professor Sally Wallace and student Shiyuan Chen (Ph.D. in Economics) examine the revenue and distributional implications of such a tax.

Georgia's individual income tax is the single most important revenue source for the state, they find. It accounts for almost half of all state government revenue – 49.2 percent in FY2006.

Georgia's existing tax structure presents a “relatively simple income tax with a tax rate structure that is in effect close to a flat rate.” But several deductions and exemptions reduce its revenue yield, increase its complexity and impact taxpayer behavior. “A flat rate income tax system that eliminates deductions and exemptions could reduce the potential for tax avoidance and reduce the cost of administering the tax system,” they write.

## STATE REVENUE SOURCES IN GEORGIA







# Making fiscal policy reforms “stick”

**IN GEORGIA, AS IN MOST STATES, THE EXECUTIVE OFFICE INITIATES THE ANNUAL STATE BUDGET PROCESS.**

The General Assembly reviews, rewrites and/or amends the governor's proposed budget before adopting it. Traditionally, Georgia budget reforms have focused on the executive branch and administrative agencies. These reforms have never gained traction with the legislators necessary to their successful implementation.

“Georgia's legislature has been using the same budget process since the 1970s,” says Carolyn Bourdeaux, a PMAP assistant professor. “Since then a number of reforms have come and

gone without any legislative engagement.” Until recently, when the General Assembly fully adopted Gov. Sonny Perdue's performance-based budget reform, Prioritized Program Budgeting.

“The legislature made the transition this time. By engaging the senate, the hope is that this is a reform that sticks,” says Bourdeaux, whose research interest in fiscal policy reform began when she started teaching budgeting at the AYS. She joined the state's Senate Budget Office in 2005, when the state fully transitioned into program budgeting.

Bourdeaux's research reports have evolved from examining the relationship between national and state legislatures and performance-based budgeting reforms to showing these bodies how to better integrate performance information into budgeting and management decisions.

In FRC Report No. 128, *Legislative Influences on Performance-Based Budgeting Reform*, (May 2006), Bourdeaux assesses state-level implementation of this reform and how legislative involvement affects its implementation.

In FRC Report No. 147 and Brief No. 147, *An Analysis of the Implementation of Program Budgeting in Georgia*, (March 2007), she addresses the challenges faced by the State of Georgia in its transition to program budgeting.

Her article, “Integrating Performance Information into Legislative Budget Processes,” examines the challenge of integrating performance information into state and federal legislative processes. It has been accepted for publication in *Public Performance and Management Review*. Related articles have run in *Public Budgeting & Finance* and been accepted in *Public Administration Review*.

## **Bourdeaux directs Georgia's Senate Budget and Evaluation Office**



After identifying the roadblocks to fiscal reform in Georgia, Carolyn Bourdeaux decided to help the Georgia Senate implement a solution. Last December she took a leave of absence from the AYS to direct the state's Senate Budget and Evaluation Office.

Senators rely on the SBEO to independently evaluate programs that comprise the annual Georgia budget, which they must oversee and approve. Bourdeaux now assists them in understanding and implementing the transition to program budgeting as required by the state's performance-based budgeting reform.

Bourdeaux follows the SBEO's first director, AYS alumnus Kevin Fillion, who headed the office when it was created in 2003. Two members in her staff of 10 are Georgia State alumni: David Lakly (M.P.A. '07) and Jeff Goran (M.P.A. '06).





# FEDERAL

# Who pays?

# TAXES Who strays?

# ... Who knows?

About 134.5 million U.S. taxpayers filed federal income tax returns in 2005, reporting a total adjusted gross income of \$7.4 trillion according to the Internal Revenue Service. More than 12 percent of those who filed – 16.5 million – took the self-employment tax deduction.

Wage earners, the self-employed and others whose income rises above certain baseline levels are required by law to fully report their gross and adjusted income to the IRS. Yet every year a significant amount of economic activity – the underground economy – operates “off the books.”

How large is the gap between real and reported income? Who is more likely to underreport, and by what amount? What fiscal policies are most effective at encouraging compliance?

Fiscal policy experts test tax-related theories in the Andrew Young School's experimental economics lab. Their attempts to answer questions about compliance and the “tax gap” have attracted the attention of the IRS, which publishes AYS research and invites faculty members to share their findings with federal researchers.

In the article, “Does Confidentiality Affect Tax Compliance?” published in the *IRS Research Bulletin*, Economics Chair Susan Laury and Professor Sally Wallace ask whether taxpayer concerns about perceived breaches in confidentiality or a weakening ability to keep taxpayer data confidential can affect compliance. Their preliminary findings suggest that they do.

James Alm and Brian Erard of B. Erard & Associates have found a way to more accurately estimate the tax gap. Their article, “Estimating the Informal Supplier Tax Gap” shows the method they developed to better gauge the income tax liability of those who provide products or services through informal cash transactions.

“Owing in large part to the lack of a paper trail, tax non-compliance among informal suppliers can be especially difficult to uncover through examinations, even relatively intensive ones,” they write. “By focusing on a carefully chosen set of industry categories, we believe that the resulting estimate should encompass the vast majority of all noncompliance committed by informal suppliers.” Alm and Erard, like Laury and Wallace, were invited to present their findings at a national IRS research conference. Their article is published in the *IRS Research Bulletin*.

Alm also looks at compliance among workers who earn “casual wages,” or tips and related income, in the working paper, “Do Individuals Comply on Income Not Reported by Their Employers?” with John Deskins of Creighton University and Michael McKee of Appalachian State University. They state that this compliance is largely unknown, in part because it is difficult to obtain information on the choices these workers make.

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*Those who earn a larger share of difficult-to-detect income exhibit significantly lower rates of compliance.*

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Experiments designed by Alm, Deskins and McKee examine individual income tax compliance when a portion of the worker's income is “matched” – reported to the tax authority via his or her employer – versus “non-matched,” or not reported. They find that those who earn a larger share of difficult-to-detect income exhibit significantly lower rates of compliance. Also, “[H]igher income taxes, higher tax rates and lower audit rates lead to increased tax evasion, but with responses that vary depending upon the proportion of matched versus non-matched income,” they write.

The preceding reports are available at [www.irs.gov](http://www.irs.gov).

# State R&D incentives go under the microscope

Two-thirds of the industrial research and development activity in the United States occurs in 10 states. Georgia ranks further down the list; its annual industrial R&D spending of \$2.3 billion in 2005 placed it near the middle.

Like most states, Georgia offers an array of economic development incentives designed to expand its technology and information sectors. But do they make a difference?

In FRC Report 139 and Brief 139, *State Tax Incentives for Research and Development Activities: A Review of State Practices*, (January 2007), Laura Wheeler identifies the incentives and grant programs used by top-ranking states to promote R&D activity – particularly R&D tax credits – and discusses their implications. Wheeler is a senior research associate for the FRC.

Wheeler's research suggests that non-incremental, refundable tax credits are likely to have greater stimulative effects on the level of R&D activity than does the traditional incremental, nonrefundable credit currently offered by most states.

Although the race to attract higher paying technology and information firms is well out of the gate, no one really knows how effective these incentives are or the true, long-term cost of using incentives to target specific industries and jobs.

"More research is needed to determine if increasing the value of tax incentives, whether against income or sales or property, designed to stimulate a small set of industries is justified when compared to the employment and investment effects of lowering the tax rate for all business in a state," the report concludes.

## State Rankings of R&D Expenditures, 2005 TOTAL INDUSTRIAL R&D EXPENDITURES

Rank	State (% of U.S. total)	\$ Billions
1	California (22.4%)	250,683
2	Michigan (7.4%)	16,752
3	Massachusetts (5.9%)	13,342
4	New Jersey (5.8%)	13,214
5	Texas (5.5%)	12,438
6	Washington (4.3%)	9,736
7	Illinois (4.3%)	9,712
8	New York (4.2%)	9,474
9	Pennsylvania (3.9%)	8,846
10	Connecticut (3.5%)	7,885
SOUTHEAST		
13	North Carolina (2.3%)	5,158
16	Florida (1.8%)	4,164
22	Georgia (1.0%)	2,282

SOURCE: National Science Foundation, Division of Science Resources Statistics, Survey of Industrial Research and Development: 2005. ([www.nsf.gov](http://www.nsf.gov))

## TRANSPORTATION FISCAL POLICY IS MEASURED AND WEIGHED



Only housing costs consume more of a family's budget than transportation. Gasoline and oil, including sales and motor fuel taxes,

make up at least a fifth of this expense.

Rising transportation costs also affect state budgets. Georgia policy makers in search of fiscal policy solutions turn to the FRC, whose research helps find ways to fund the improvements necessary to support and sustain Georgia's rapidly changing economy.

In FRC Report 138 and Brief 138, *Transportation Funding Alternatives: A Preliminary Analysis*, (January 2007), authors David Sjoquist, William "Joey" Smith, Laura Wheeler and Justin Purkey identify and explore the several financing options proposed to help fund Georgia's transportation programs. They analyze motor fuel revenue trends and forecasts, examine economic and tax equity issues, and provide recommendations on the optimal way to increase transportation funding.

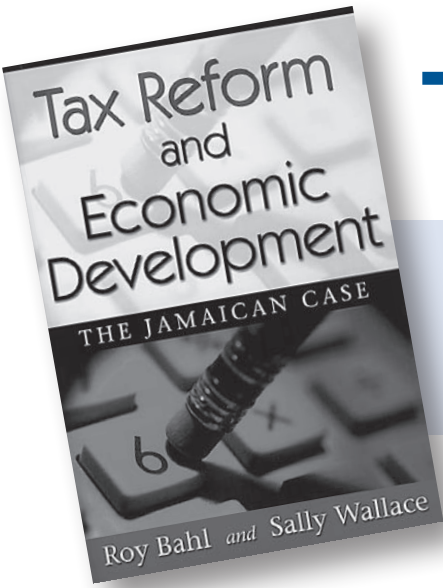
Sjoquist and James Alm explore the effect of Georgia's fuel tax suspension after Hurricane Katrina in FRC Report 143 and Brief 143, *The Price Effect of*

*Georgia's Temporary Suspension of State Fuel Taxes*, (February 2007). They find that Georgia consumers received approximately two-thirds of this tax cut at the pump. It is typically assumed that excise and other consumption taxes are fully shifted to consumers in the form of higher retail prices, they write. "However, it is well-known that the effect of an excise tax on the price of the product depends upon the relative price elasticity of supply and demand."

Their results indicate that the usual assumption about the shifting of an excise tax may not always hold, at least in the case of gasoline excise taxes.

THE INTERNATIONAL STUDIES PROGRAM provides top-notch technical assistance and training to developing and transitional economies in areas that include fiscal policy, budgeting and fiscal management, intergovernmental fiscal relations – also known as fiscal decentralization – and economic and fiscal policy analysis. Fiscal policy research conducted by ISP's faculty and associates is enriched by their fieldwork and collaborative approach with experts in the countries they serve.

ISP working papers are available at <http://isp-aysps.gsu.edu/papers/index.html>.



# tracing JAMAICA'S EMBRACE of tax reform

The Planning Institute of Jamaica has published a book about the AYS-led Jamaican Comprehensive Tax Reform Project. Written by Economics Professor Sally Wallace and Regents Professor Roy Bahl, *Tax Reform and Economic Development: The Jamaican Case* (2007) presents an analysis of Jamaica's tax system, including recommendations and reforms implemented through the country's 2005/2006 budget year. Wallace and Bahl led the country's reform team.

The book focuses on tax reform options and actions the country has taken since the project concluded in 2005, says Wallace. She and Bahl directed research, advised Jamaican officials and provided technical assistance to government officials and the government-appointed Tax Reform Committee. AYS faculty members James Alm, Jorge Martinez-Vazquez, David Sjoquist, Richard Bird, Felix Rioja and Mark Rider, among others, contributed working papers in support of the project.

"One of the remarkable things to me was how quickly and efficiently Jamaicans actually drafted bills for a number of the proposals that were discussed and passed them into laws. The government took a lot of advice from the report and cleaned up issues like value-added tax," she says. "Often with our work, we don't see that happen so quickly."

The AYS team sincerely appreciated the work of various officials in the Ministry of Finance and the Tax Reform Commission, notes Wallace, "especially Jamaican businessman Joe Matalon, who chaired the committee." She and Bahl returned to Jamaica last fall to present the book at a tax policy conference sponsored by the Planning Institute of Jamaica.

The Jamaican Tax Reform Project has generated some unexpected benefits for AYS, too, says Wallace. "Andrew Stephenson, who worked with us as an official in the Ministry of Finance, has entered our Ph.D. program," she says. "An official in the Central Bank, Tamoya Christie, and Leonara Brown, a lecturer at the University of West Indies, also applied to our Ph.D. program and arrived in Atlanta together."

The Planning Institute of Jamaica offers *Tax Reform and Economic Development: The Jamaican Case* for sale online at [www.pioj.gov.jm/PublicationMain.aspx](http://www.pioj.gov.jm/PublicationMain.aspx).

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*The government took a lot of advice from the report and cleaned up issues like value-added tax.*

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– SALLY WALLACE

# Indonesian Masters program

Ahya Ihsan gained a lot more than a master's degree at the Andrew Young School at Georgia State. "Like the song, 'Georgia on My Mind,'" he says, "Atlanta has been like a second home to me. It's where I met my lovely wife, Nandya, and where my first son, Zakhrafi, was born."

Ihsan is among 55 Indonesian university lecturers and civil servants who graduated in 2002 and 2003 from the USAID-funded Indonesian Masters Program in Applied Economics at the AYS. Developed and taught by International Studies Program faculty and staff, the program was designed to build fiscal capacity and enhance the economic performance of the world's fourth most heavily populated country. Seven graduates remained and have earned doctorates in economics at Georgia State.

"We have created a technical capacity in the country for several cohorts of young people who are now well-trained in substance and technical issues," says Regents Professor Jorge Martinez-Vazquez, ISP's director. "By being together for a year-long educational experience, these graduates have created a network of right policies and right ways of changing their country."

*...the program was designed to build fiscal capacity and enhance the economic performance of the world's fourth most heavily populated country.*

"As they filter up in positions of power in policy making," he continues, "they are working in the same direction with similar values, concepts and goals. The AYS has facilitated a policy transformation in

Indonesia that is made even more effective by their network."

This approach offers developing countries a clear advantage, says Martinez. "Other students may return home well-trained. However, with no network – no common or shared experience – their impact may be diminished."

AYS graduates Jeliteng Pribadi, Faisal, Muhammad Ilhamsyah Siregar, Muhammad Nasir, Putri Bintusy Syathi, Miksalmina and Ihsan are economics faculty members at Syiah Kuala University in Banda Aceh. Muliadi Widjaja and Vid Adrison are lecturers at the University of Indonesia in Jakarta; Adrison also does work for the Ministry of Finance. Edward Dodi chairs the Indonesian Trade Promotion office in Los Angeles.

Many came to AYS from the province of Aceh, which includes Banda Aceh, one of the oldest and most influential Islamic cities in Southeast Asia. The province has suffered from sustained armed conflict. A devastating tsunami hit the province on Dec. 26, 2004, taking the lives of nearly 167,000 residents, including graduates of the AYS program. Several AYS graduates have contributed to the area's recovery.

Indonesia's massive political and fiscal reform in 2001 led Ahya Ihsan to the Andrew Young School. "The major public service delivery functions from central government were transferred to almost 300 districts. Expenditure assignments were ambiguous, and sub-national governments had not been provided the skills necessary to undertake these tremendous tasks. These challenges motivated me to further pursue my study in public finance and public policy to help the province in its effort to improve the quality of life of the Acehnese," he says.

Upon his return, Ihsan worked briefly at the Aceh Provincial Planning Board before joining the World Bank in Jakarta as a research analyst on the public finance and decentralization team working to rebuild Aceh after the tsunami. In 2006 he was chosen to co-lead the Aceh Public Expenditure Analysis, a joint initiative of the World Bank and Aceh's leading universities, where he guided research for two World Bank reports analyzing fiscal policy in Aceh. "The research has been considered a key diagnostic in influencing policy makers and Acehnese toward improved budget allocation and efficient public spending," he says.

Ihsan is helping the government of Aceh devise a formula it will use to allocate a "special autonomy fund" to 23 local governments and establish a grant commission to manage, allocate and monitor this fund.

"The AYS master's degree has greatly helped me set up a foundation in understanding public finance and decentralization, much-needed knowledge in a rapidly decentralized Indonesia," he says. He also notes the distinct advantage provided by the knowledge and experience of ISP faculty and staff, and that the school attracts "the best international students from different countries and continents who provide a unique opportunity to exchange knowledge and learn from each other."

Muliadi Widjaja lectured at the Institute of Economics and Social Research at the University of Indonesia prior to joining the first class of Indonesian Masters. He remained in Atlanta through 2007 to earn a Ph.D. in economics. "Public finance is very good at AYS," he says. Widjaja returned to the Department of Economics at the University of Indonesia. His Ph.D. dissertation is now a book, *Designing Pension Programs to Strengthen*



# delivers on its promise

*the Formal Labor Market in Developing Countries* (VDM Verlag), which is available on Amazon.com.

After earning her M.A., economics lecturer Miksalmina returned to Syiah Kuala

“Aceh was delegated significant authority to self-govern as a response to the continuous conflict in Aceh,” he says. “The more trained economists are made available, the better the process.”

tion mechanism, which ensured the best targeting of resources to meet our humanitarian needs.”

When Muhammad Nasir returned to Banda Aceh, he trained local government



Ilham says his AYS experience informs his teaching “with a pedagogy that provides more room for students to explore.”



Nasir is a Ph.D. candidate at the University of Bonn, Germany. “My experiences in Atlanta have supported my career well.”



Miksalmina develops formulas for special autonomy budget allocations for each district in Aceh.



Ihsan is helping the government of Aceh establish a grant commission to manage, allocate and monitor a “special autonomy fund.”

University to teach, research and aid the provincial government in planning. After the tsunami, “Miksal” assessed fiscal capacity and the performance of local government in Aceh and Bireuen, an Aceh district. She performed a community baseline needs assessment and researched post-tsunami recovery in the fishing industry. She also has run feasibility and bankability studies for microfinance in Aceh, and develops formulas for special autonomy budget allocations for each district in Aceh.

“Although the Indonesian Master’s Program was implemented to support smooth decentralization throughout Indonesia, in Aceh it has become a necessity,” says graduate Muhammad Ilhamsyah “Ilham” Siregar, who joined the class of 2002 as what he calls a “fresh” graduate from Syiah Kuala.

Ilham says his AYS experience informs his instruction at Syiah Kuala: “I replaced traditional teaching methods with a pedagogy that provides more room for students to explore the study materials. The results were amazing: my students became more active, the discussions more fruitful. Their curiosity has led them to sharper analysis.”

After the tsunami hit, Ilham worked as a liaison and coordination officer with the United Nations Office for Coordination of Humanitarian Affairs. “The work was hard considering the large scale of destruction and the number of casualties and displacement. Many organizations provided emergency relief, and the dynamics were very volatile,” he says. “My policy experience at the AYS provided ideas that helped develop a robust and effective coordina-

tion mechanism. Post-tsunami, he worked as a senior researcher in the United Nations Office of Recovery Coordinator in Aceh. He is now a doctoral candidate at the University of Bonn, Germany. “My experiences in Atlanta have supported my career well,” he says.

Indonesia’s decentralization is not yet complete, but the solid network of AYS-trained fiscal policy experts brings the country closer to its goal.

As for their association with the AYS, Miksal echoes many graduates when she says she will never forget the hospitality she found and the empathy shown by Georgia State to the graduates from Aceh when the tsunami struck: “I thank you for the honest care and donations that have been distributed. We are so thankful. May God always bless you all.”



# INTERNATIONAL STUDIES PROGRAM LEADS fiscal decentralization in **EGYPT**

Egypt is in a race to improve basic services for its growing population. Limited arable land and overtaxed resources stress a national government that must subsidize many basic necessities for its 80 million citizens. Although the country has worked for decades to reform its highly centralized economy, improvements seem to move at the pace of the Nile during the dry season.

In 2005 the country enacted economic reforms that showed promise. Foreign direct investment started to grow. Communications and infrastructure improvements were put into place. But the living standard for the average Egyptian continued to grow very slowly, if at all.

The USAID (United States Agency for International Development) in 2006 issued a call for contractors to provide decentralization services to the Egyptian government. The Andrew Young School's International Studies Program sent a joint proposal with AECOM and won the \$1 million contract.

"Egypt probably has one of the longest histories of centralized systems in the world – since the pharaohs," says Regents Professor Jorge Martinez-Vazquez. He suggests it was not a project that everybody wanted, yet he saw its importance.

"Egypt's leading policy makers are interested in what we're doing," says Martinez. "They want to improve the dismal performance of basic service delivery at the local level. Egypt spends lots of foreign aid money on substandard services. They know they can do better."

The international community is invested in Egypt's success, he says. "I couldn't say this a year ago when we were first there, but decentralization would be the way to democratize political life in Egypt."

He believes the ISP was awarded the contract because it offers developing countries two critical advantages: its significant international experience and top-notch technical expertise.

"Our people have worked on these issues in more than 70 or 80 countries during the last 23 years. We know what works and what doesn't. The Egyptians are very grateful to be able to access that experience and knowledge," he says.

"We have worked on the technical aspects of fiscal decentralization in many other places. They can see our other contracts and awards. We gain, very rapidly, a level of trust with policy makers that helps us quickly offer credible policy advice and concrete measures."

ISP has worked with Egypt's Ministry of Local Development and the Ministry of Finance on decentralization reform since early 2007, through an earlier award. The new initiative will help

- ▶ strengthen the administrative capacity and legal framework for local government management;
- ▶ increase the financial resources available to local governments, enabling them to respond to community priorities; and
- ▶ improve local planning, allocating and monitoring of these financial resources.

Among its work, the ISP is helping Egypt build analytical capacity for a new technical office and supporting its research agenda for decentralization. "We are training the country's ministry economists, planners and other officials how to build different economic models and tools," says Martinez. He expects to see a lot of interest in the project's research output. "The country is very important strategically."





# broadening ISP work in CENTRAL AND SOUTH AMERICA

The International Studies Program is working in Colombia and Peru after CAF, the Andean Development Bank, approached the school about partnering on fiscal policy projects in Central and South America.

*My original interest in public policy was theoretical, not applied. With time, I've seen the connection that exists between the reality in developing countries and academic research. Being out in the field provides us with a variety of ideas for future research.*

— CRISTIAN SEPULVEDA

or the Inter-American Development Bank. It lends money to countries for all kinds of projects."

CAF came to the ISP looking for trusted fiscal policy expertise. "Ministers of finance want good policy advice more than they want money," says Martinez. "CAF needed to be able to offer credible technical advice. We have the expertise and credibility, and they have the money. It fit with our goals and objectives."

Research associates Juan Luis Gomez and Cristian Sepulveda lead the new ISP programs in Peru and Colombia. The programs are evolving, says Martinez, but ISP has sent missions to Lima and Bogotá and has planned a major conference on fiscal decentralization in Lima.

Gomez and Sepulveda are working with the Ministry of Economy and

Finance in both countries. "We're all designing systems and proposals together – working with CAF in making the proposals match government interests in these areas," says Sepulveda.

Peru was facing problems designing the decentralization process it began in 2002, says Gomez. "First thing we'll do is run a full diagnostic of the system of inter-governmental regulations. We'll go pillar by pillar, identifying what parts should be reformed and what options we can outline for their reform." ISP will help Peru analyze its regional processes for local economic development and aid it in developing a regulatory framework for inter-municipal cooperation.

ISP's first priority in Colombia is to provide support for local economic development processes, says Gomez. "We're also going to assist in the development of legal frameworks for intergovernment-



Cristian Sepulveda and Juan Luis Gomez

*It is impossible to read about fiscal decentralization and not come across papers written by the academicians of AYS – Bahl, Wallace, Martinez. I knew the head of the IMF (International Monetary Fund) in Vietnam and had several mentors over there – they knew the work here. Internationally, in the field, the AYS has a fantastic reputation.*

— JUAN LUIS GOMEZ

tal cooperation, similar to Peru, and will provide assistance in defining the systems for expenditure assignments from the central to the local governments."

## AYS in China

Regents Professor Roy Bahl was in Beijing, China, in April to lecture at the Center for Urban Development and Land Policy, a joint venture of the Lincoln Institute of Land Policy and Peking University.



Here Bahl catches up with AYS graduates Baoyun Qiao (Ph.D. in Economics '01), dean of the Academy of Public Finance and Public Policy at the Central University of Finance and Economics in Beijing (left), and Li Zhang (Ph.D. in Economics '06), an

assistant professor at the university. Also present, second from left, is Gary Cornia, Dean of BYU's Marriott School of Management.

## Visiting Scholars signal a thriving research environment

*Any given semester, visiting faculty and scholars add their voices to the lecture halls and research centers at the Andrew Young School.*

They do collaborative research, write joint papers and work in the field with AYS faculty and staff. Outstanding credentials and an entrepreneurial outlook mark their contribution to the academic environment.

"This school is an international center," says Regents Professor Jorge Martinez-Vazquez. "We want

to expose our students and faculty to people from all over the world; show them different experiences and agendas. We also create global ambassadors who say the greatest place in the world is the Andrew Young School."

Recent visitors have come to the AYS from universities in France, the Ukraine,

Kosovo, China, Pakistan and Canada. In some cases, they are invited to continue as visiting faculty after earning a Ph.D. at Georgia State.

Wayne Thirsk, a public finance economist with extensive practical and academic experience, has been a visiting research professor with ISP since 2006. He has worked in two dozen developing countries on a wide variety of public finance issues. During the last decade he served as a tax policy advisor to the Zambia Ministry of Finance and with an USAID fiscal reform project in Ukraine.

Visiting Assistant Professor Abel Embaye received his Ph.D. in Economics from Georgia State in May 2007. His research focuses on tax evasion and government expenditures in developing countries, and he teaches Global Economy and Principles of Microeconomics.

Distinguished Visiting Professor Richard Bird has held faculty positions at the University of Toronto, Harvard University, Columbia University and universities in Australia and the Netherlands. He has been a senior economic advisor for the World Bank, the International Monetary Fund and several national governments. Now a Professor Emeritus of Economics at the University of Toronto and director of the university's International Tax Program, Bird lectures on fiscal policy issues in developing countries.

Another prestigious Canadian economist, Francois Vaillancourt, visited ISP as a Fulbright Scholar. A professor in the Department of Economics at the University of Montreal, Canada, Vaillancourt led a series of ISP Brown Bag Lectures on fiscal policy and helped develop a global conference on fiscal decentralization in September.

### ISP and visiting Pakistani officials review report

ISP Director Jorge Martinez-Vazquez, fiscal policy economists Mark Rider and Sally Wallace, and Regents Professor Roy Bahl discuss a draft report with Robina Ather Ahmed, Umar Wahid and Mir Ahmad Khan, visiting chief,

secretary and second secretary of the Fiscal Research and Statistics Wing of the Federal Board of Revenue of Pakistan during a review of the country's fiscal policies and procedures.

The final report, written in collaboration with World Bank Islamabad and the Federal Board of Revenue of Pakistan, is a white paper on tax reform in Pakistan, says Martinez. "We took stock of all of the research contributions for this project and delivered recommendations in a way that offers the government some good blueprints to move forward," he says. Martinez presented the report in Islamabad in April.





# Street patterns, agents & **AGING** boomers impact real estate values

Given the state of the housing market, buyers and sellers willing to dig into the latest academic literature on housing may be amply rewarded by Economics Professor Geoffrey Turnbull's output on the impact of street layouts, real estate agents and aging Baby Boomers on real estate.

Two articles were recently published by *The Journal of Real Estate Finance and Economics*. In "Neighborhood Street Layout and Property Value: The Interaction of Accessibility and Land Use Mix" (35:2), Turnbull and John Matthews, a senior research associate in the Fiscal Research Center, evaluate how consumers value differences in neighborhood design and street layout.

"Highly connected streets are important to New Urbanism," reports Turnbull, "but this pattern had not been included in earlier empirical studies of house value." Using two methods to measure street layout and its interaction with other neighborhood features, they find that a grid pattern increases housing values in pedestrian-oriented neighborhoods using one measure, but decreases it using the other. "In auto-oriented develop-

ments, this layout reduces housing values using either measure," they find.

In "Individual Agents, Firms, and the Real Estate Brokerage Process" (35:1), Turnbull and Jonathan Dombrow examine the impact real estate agents have on a home's sales price and time on the market, while controlling for brokerage firm and neighborhood conditions.

They find that agents who focus on listing properties obtain higher prices for their sellers, while those who sell obtain lower prices for their buyers. "Houses nearer to other transactions of an agent sell for higher prices. Finally, a greater scale of listing and selling activity by an agent tends to lower selling prices or lengthen time on the market."

In another paper, "Housing the Aging Baby Boomers: Implications for Local Policy" (SSRN: January 2008), Turnbull and Matthews look at issues communities will soon be addressing. Although seniors want to "age in place," most live in suburban and rural areas ill-suited to meet growing aging-related demands, says Turnbull. "Accommodating their

changing needs will require state or local governments to revise building and zoning codes, develop support services for retirement communities, and develop tax and financial assistance policies for lower income elderly homeowners.

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... agents who focus on listing properties obtain higher prices for their sellers, while those who sell obtain lower prices for their buyers.

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"A significant number of aging adults will move to locales with natural and augmented civic amenities," they write. "Such migration is double-edged; features that attract gray gold also attract needy elderly."

## ADDITIONAL RESEARCH

Turnbull, Geoffrey. "Squatting, Eviction and Development." *Regional Science and Urban Economics*, forthcoming.

\_\_\_\_\_ and Velma Zahirovic-Herbert. "School Quality, House Prices, and Liquidity." *Journal of Real Estate Finance and Economics*, forthcoming.



# CITY MA lead e-government

The definition of e-government can be as ambiguous and complex as the idea of global warming, according to PMAP Professor Greg Streib: “‘E-government’ inspires a sort of guessing game much like the ‘mental models’ people use to reason out the impact of man on the environment, full of surprising misconceptions. The concept represents a rich mix of mysterious terminology, process-specific knowledge and vague claims.”

Streib and AYS alumnus Ignacio Navarro (Ph.D. in Public Policy, '07) attempt to take much of the guesswork out of what e-government should be, who is responsible for its adaptation, and what skills these leaders will need in their chapter, “City Managers and E-Government Development: Assessing Technology Literacy and Leadership Needs” written for the book, *Strategies for Local E-Government Adoption and Implementation: Comparative Studies*, edited by Christopher Reddick.

Streib and Navarro define e-government as “using technology to better serve citizens” with goals that include better service delivery, a focus on citizen needs and community ownership. Most general purpose governments have Web sites. Although these sites and Web services represent a substantial responsibility, more than half of those surveyed indicated staff and financial barriers to e-government, including a lack of Web expertise.

“Although e-government has attracted considerable scholarly interest in the last several years,” says Streib, “relatively little attention has been given to the capacity of local governments to provide these services.” Streib and Navarro analyze scores on the technology practice of the ICMA (International City/County Management Association) Applied Knowledge Assessment to determine the ability of city managers to effectively champion the development of e-government.

“We chose city managers because they are closest to the leading edge of professional public management,” says Streib. Their chapter addresses the different kinds of professional and leadership responsibilities required to build capacity in effective e-government.

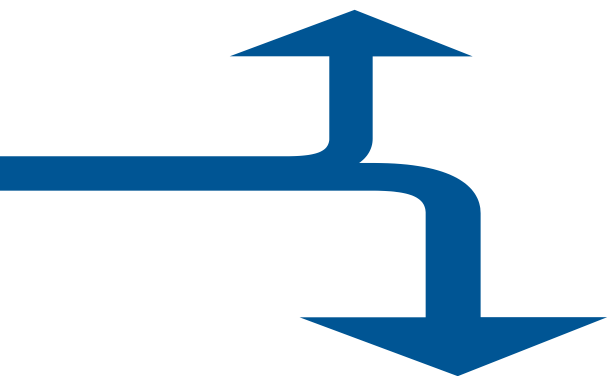
“The role of technology in local government has not been totally overlooked at this point, but we are far from thinking about e-government as a vitally important professional responsibility,” they write. “All governments seeking to enhance their e-government capacity will also need to find ways to acquire personnel with the right mix of knowledge, skills and leadership abilities.”

In their analysis, Streib and Navarro demonstrate that city managers possess relevant e-government knowledge. Although they find “some interesting generational variations in technology literacy and knowledge about managing technology,” those tested did better on the technology literacy items than on the AKA as a whole.

Their chapter contains an analysis of the ability of city managers to provide leadership for e-government development and identifies some important trends and challenges. Their findings suggest that the current capacity shortfall will hold the deployment of e-government to a gradual, incremental pace.

“The vast majority of governments in the world today do not make full use of the technology tools that are available to them,” they conclude. “Anything is possible over the very long term, but the short term does not appear to offer more than gradual, incremental change. This is not a very effective way to engage technologies that are developing exponentially.”

# NAGERS



# implementation

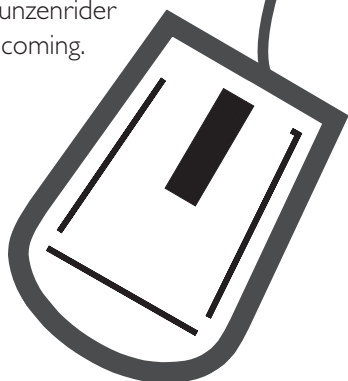
U.S. News & World Report ranked the Andrew Young School of Policy Studies 12th among public affairs programs in Information Technology and Management, the e-government and technology category, in its popular "America's Best Graduate Schools 2009" edition. It represents the first time the AYS has been recognized in this category, a nod to the cutting-edge research conducted by AYS faculty and staff.

#### ADDITIONAL RESEARCH

Streib, Greg, Judith Ottoson, John Clayton Thomas and Mark Rivera. "Evaluation of the National School Health Coordinator Leadership Institute." *Journal of School Health*, forthcoming.

\_\_\_\_\_ and Christine Roch. "Strengthening Public Administration Research: Barriers and Horizons." *International Journal of Public Administration*, forthcoming.

\_\_\_\_\_ and Lloyd Nigro. "Pay-for-Performance in Local Governments: The Views of Personnel Directors." *Principles and Practices of Public Administration*. Jack Rabin, Robert Munzenrider and Sherrie Bartell, eds., forthcoming.



## Property tax policy is re-examined at ISP conference

Land, buildings and other types of property are an important source for tax revenue in many countries. In fact, property taxes are often a top revenue choice for local governments that seek higher levels of fiscal autonomy.

In April 2008 the Andrew Young School brought together more than three dozen fiscal policy experts to try to explain why, despite the enormous amounts of time and resources



invested in property tax overhauls and reforms in many developing and transitional countries, there have been very few successes. What can be done to make it a more relevant revenue source?



The conference, "What Role for Property Taxes?," was sponsored by the Lincoln Institute of Land Policy. Joan Youngman, a member of the institute's Department of Valuation and Taxation, organized the conference with Regents Professors Roy Bahl and Jorge Martinez-Vazquez, director of the International Studies Program.



Martinez says the second conference was planned after the AYS and the Lincoln Institute held their first conference on property taxes in 2006. "We realized that more research had to be conducted on several issues regarding property taxation. How do these

countries make property taxation a more relevant revenue source? We needed answers."

Bahl, Martinez and Youngman edited papers presented at the first conference for the book, *Making the Property Tax Work: Experiences in Developing and Transitional Countries*, (Lincoln Institute, March 2008), released at the second conference. Copies are available at [www.lincolninst.edu/pubs/](http://www.lincolninst.edu/pubs/). Papers from the 2008 conference are forthcoming in another Lincoln Institute volume.



# enhancing healthcare efficiency & accessibility

The Georgia Health Policy Center improves health status at the community level by connecting policy makers with the objective research and guidance they need to make informed decisions about health policy and programs. The GHPC develops programming; provides policy guidance to public and private organizations; publishes a robust body of research on the subjects of long-term care, child health and well-being, community and public health, community health systems development, cancer, and public and private insurance coverage; and reports on private policy, grants management and research conducted for the Philanthropic Collaborative for a Healthy Georgia.

## COMMUNITY HEALTH PROGRAMS OFFER LESSONS IN POLICY

Community health initiatives are examined in an article published by the Commonwealth Fund, "Lessons from Local Access Initiatives: Contributions and Challenges," (Aug. 14, 2007), in which Georgia Health Policy Center Director Karen Minyard and a national team of researchers offer case studies about five community health programs, describing their critical role in the community and suggesting policy implications at all levels of government.

"The United States health care system is plagued with at least three serious problems: rising costs, deterioration of the health care safety net, and inadequate public and private health insurance," they write. "It is clear that bold strategies – requiring public and private resources from national, state and local levels – are essential."

Low-income people with complex medical and social needs require more than care referrals, says Minyard. Community health programs help them find efficient ways to access limited resources by providing them outreach, health care coordination and integration.

The article shows the need for these initiatives and, paradoxically, the difficulty of sustaining them. It addresses challenges of replication and points to the critical importance of state context, especially how changes at the state level often induce local initiatives to adapt and change.

"Organizing local resources to improve health care access and status is a critical and often neglected component of the health care system," says Minyard. "Local initiatives are important because they provide bridges to public and private coverage. They create steps to care for those not covered, and they serve as a vehicle for investment in the community." The authors suggest national and state policy proposals that, with narrow and strategic changes in regulation and oversight, could be highly beneficial to workers who otherwise could not afford health care coverage.

GHPC researchers Chris Parker, Tina Anderson-Smith and the late Claudia Lacson contributed to this report. Copies can be downloaded at [www.commonwealthfund.org](http://www.commonwealthfund.org).

## KEEPING MORE CHILDREN INSURED MAY KEEP PEACHCARE COSTS DOWN

More than 300,000 Georgia children were uninsured at the end of 2005. An estimated two-thirds of these children each year qualify for public medical insurance programs such as PeachCare for Kids – the State Children's Health Insurance Program for Georgia – and Medicaid.

PeachCare's eligibility requirements are designed to complement those of Medicaid. However, when publicly insured children reach the ages of one and six, eligibility changes may require them to change programs. "These transitions create two points at which children can easily lose coverage," says Angela Snyder, a senior research associate with the GHPC.

In "Continuity of Coverage among Georgia's Publicly Covered Children," Snyder, Patricia Ketsche of GSU's Robinson College of Business, GHPC Director Karen Minyard and others examine what occurs at these transitions and their policy implications. The authors use



## GEORGIA YOUTH AT RISK FOR FUTURE HEALTH PROBLEMS

Recent reports have warned that too many Georgia children and teens are out of shape and too heavy. But no one could say how long these conditions have prevailed, or whether they are getting better or worse. A survey conducted by GHPC for the Philanthropic Collaborative for a Healthy Georgia changes that, says GHPC Senior Research Associate Mary Ann Phillips. "We now have a baseline against which we can monitor changes in these important measures of our children's health."

Phillips was co-principal investigator on the study, "Georgia Youth Fitness Assessment 2006," in which more than 5,000 Georgia 5th and 7th graders from 93 schools were surveyed to measure

their fitness and daily physical activity. Body Mass Index (BMI) and fitness level were measured against a range of scores consistent with good health. The findings are alarming.

"Many of Georgia's children and youth are at risk for serious health conditions in the future," Phillips reports. "More than a third have BMI scores that are considered a health risk, and more than half lack the cardiorespiratory fitness, muscle strength, flexibility and muscular endurance needed to ensure current and future good health." In fact, 40 percent of the youth surveyed failed to meet national recommendations for regular physical activity.

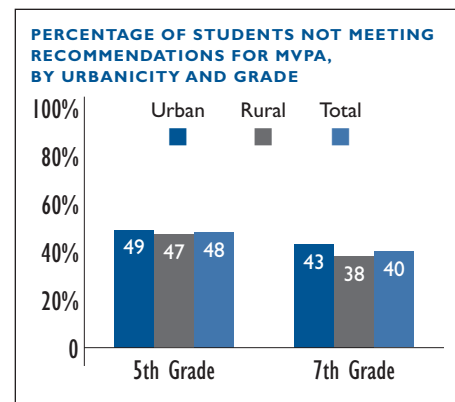
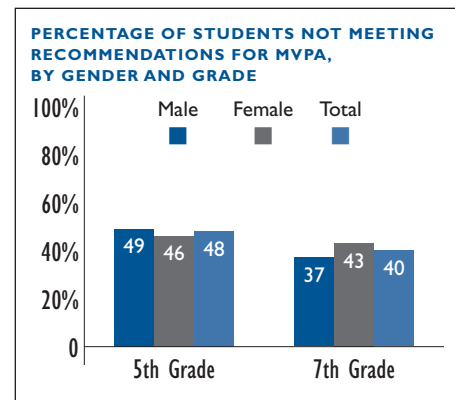
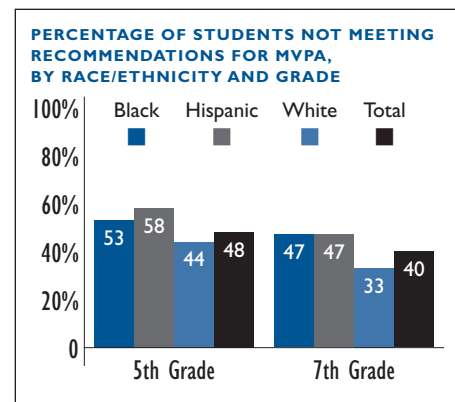
By bringing attention to the physical fitness and activity practices of the state's youth, the GYFA also suggests a strong and sustained response by those responsible for change. "Due to the complexity of causes for these changes, the response must involve all segments – private and public – of society," write the authors. They close the report with solutions that Georgians would support and recommendations to engage every segment of society.

Georgia is the first state to do a state-wide probability study of youth fitness that incorporated a physical activity survey. Members of the Philanthropic Collaborative joined Phillips in presenting their findings to legislative health committees. Widely quoted in the media, the fitness assessment has drawn the attention of other states that want to know how to conduct their own.

"These findings provide baseline data that can guide policy and serve as a template for future surveys," says Phillips.

"Participating schools can look at their data and implement policies that improve the health of their students."

### PHYSICAL ACTIVITY: MODERATE TO VIGOROUS PHYSICAL ACTIVITY (MVPA)



Philanthropic Collaborative for a Healthy Georgia, Georgia Youth Fitness Assessment 2006. Atlanta, Georgia, September 2007.

claims and eligibility data for more than 225,000 children covered by PeachCare and Medicaid in a two-year period to look at enrollment changes and their impact on program costs.

They found that 41 percent of the one-year-olds and 13 percent of the six-year-olds lost their insurance coverage at these transitional dates. The children who had lower-than-average health care expenditures prior to their transition dates were more likely to drop public coverage, says Snyder.

"Simplifying administrative processes to encourage continuous enrollment could expand coverage and retain children who are more likely to stay healthy and experience fewer claims," she says. "This may be one of the most cost-effective ways to reduce the number of uninsured children in Georgia."

The team presented their findings at AcademyHealth's Annual Research Meeting in 2007 and published their results in *Health Services Research*. See the GHPC Issue Brief at [http://aysps.gsu.edu/ghpc/files/PeachCare\(1\).pdf](http://aysps.gsu.edu/ghpc/files/PeachCare(1).pdf).

### ADDITIONAL RESEARCH

Ketsche, Patricia, Kathleen Adams, Angela Snyder, Mei Zou, Karen Minyard and Rebecca Kellenberg. "Discontinuity of Coverage for Medicaid and S-CHIP Children at a Transitional Birthday." *Health Services Research* 42(6p1): 2410-2423, December 2007.

GHPC research publications: <http://aysps.gsu.edu/ghpc/publications.html>

# Cycling reduces costs beyond

*As gas prices rise to heights never seen in the United States, news headlines in cities from San Diego to Boston, El Paso to Chicago – even auto-loving Los Angeles – are touting the rediscovery of cycling. Commuters in greater numbers are turning to bicycles as cost-saving alternatives to their automobiles.*

If they stick to cycling, however, gasoline will not be the only cost item saved, suggests Inas Rashad, an assistant professor of Economics at the AYS and Faculty Research Fellow for the National Bureau of Economic Research. In February 2007 Rashad's research on these cost effects were published in NBER Working Paper No. 12929, "Cycling: An Increasingly Untouched Source of Physical and Mental Health."

Economic research adds an important contribution to public health, particularly regarding obesity and mental health, notes Rashad, who cycles regularly. "Economic research sheds light on the cost of policy decisions and, in the case of obesity and mental health, on various factors in the built environment that contribute to behavioral changes," she says.

She uses data from the U.S. Department of Transportation, the Behavioral Risk Factor Surveillance System, the Nationwide Personal Transportation Survey and other sources, to confirm cycling's physical and psychological benefits. "However, this activity's total benefits are not limited to health, but also entail environmental and health care cost savings," she says. "Those who cycle are less likely to be obese or have high cholesterol or diabetes. They are less likely to have poor mental health. Once other variables are controlled for, this relationship still holds."

Seventy-three percent of adult Americans want new bike facilities such as bike lanes, trails and traffic signals, but not because they have a significant effect on the riding decision, says Rashad. They increase the sense of personal safety. "The DOT has found that those who live in neighborhoods with no bike paths or lanes feel the most threatened by motorists.

"Cycling in its current form is often a dangerous and underused activity," Rashad concludes. "Changes in the built environment and decisions by policy makers have potentially unintentionally contributed to the declining physical and mental health of the

U.S. population and increased the costs of transportation and pollution." Her findings suggest that rising commuting costs – in the form of an optimal gasoline tax – could increase cycling by as much as 69 percent.

"An increase in cycling could potentially reduce national medical expenditures by about six billion dollars," she writes.

"Cycling can be an effective mode of transportation, especially when city planners provide the means necessary to make it a safe and comfortable activity. These findings have policy implications in terms of improved public awareness and city planning," she suggests.

## ADDITIONAL RESEARCH

Rashad, Inas. "Fast-Food Advertising on Television and Its Influence on Childhood Obesity" (with Shin-Yi Chou and Michael Grossman). *Journal of Law and Economics*, forthcoming.

\_\_\_\_\_. "The Effects of Retirement on Physical and Mental Health Outcomes" (with Dhaval Dave and Jasmina Spasojevic). *Southern Economic Journal*, forthcoming.

\_\_\_\_\_. "Height, Health, and Income in the US, 1984-2005." *Economics and Human Biology*, 6(1): 108-126, March 2008.



# transportation



## **AYS Alumna heads Atlanta Bicycle Campaign**

Rebecca Serna (M.S. in Urban Policy Studies '07) was appointed executive director of the Atlanta Bicycle Campaign, the region's largest bicycle advocacy group, in October 2007. She joined the ABC from the Georgia DOT,

where she helped develop the Georgia Bicycle and Pedestrian Safety Action Plan and monitored state transportation projects for their adherence to its bicycle accommodation policy.

A Fulbright Scholar, Serna studied the impact of a 15-year city program to boost civic participation in Bogotá, Colombia. While at Georgia State, she co-founded Citizens for Progressive Transit, Atlanta's grassroots transit advocacy organization.

"This is an exciting time for ABC as we have a tremendous opportunity to encourage the Atlanta region to become more bike-friendly," says Serna, an avid cyclist. She encourages those interested to visit ABC's Web site at <http://atlantabike2.org/>.



## **PeachCare premiums and enrollment decisions**

How governments finance public insurance is a central focus of Economics Associate Professor James Marton's research. As the federal government moves more of this cost to the states and both public and private insurers begin to require more cost sharing of their clients, Marton decided to look at what impact these trends have on enrollment in federally funded health insurance programs like PeachCare in Georgia.

In "The Impact of SCHIP Premiums and Health Status on the Insurance Coverage of Children," authors Marton and Jeffery Talbert use public insurance claims data to examine whether larger SCHIP (State Children's Health Insurance Program) premiums affect a family's decision to retain coverage for children with chronic health issues. They also analyzed a survey of more than 1,500 families with children that lost SCHIP coverage due to premium non-payment to determine whether children who left SCHIP were able to find other sources of coverage.

"Our results suggest that children with chronic health issues like diabetes, asthma or mental health problems are less likely to leave SCHIP coverage than those without one of these conditions," says Marton. "When families did remove their children from the program, about half found alternative forms of health coverage."

As the SCHIP program moves forward, states that are required to shoulder a larger financial share may pass on this cost to SCHIP families as new or larger premiums.

"Some may fear that the introduction of public premiums will cause the most vulnerable children to lose coverage, but we don't find strong evidence of this in our hazard analysis. Of course, if children with chronic conditions are more likely to remain in the program, then their families are bearing a larger burden of the premium when compared to families with relatively healthy children," the authors conclude. Their findings are useful to policy makers considering the potential policy impacts of introducing or increasing the cost of public insurance.

### **ADDITIONAL RESEARCH**

Marton, James. "The Impact of the Introduction of Premiums into a SCHIP Program." *Journal of Policy Analysis and Management* 26(2): 261-279, Spring 2007.

# BODY COMPOSITION

## can bring wages up or down

### LOOKING FOR INSPIRATION

to exercise? Look no further than NBER Working Paper No. 13595, “Body Composition and Wages,” by Erdal Tekin and Roy Wada, whose research suggests that the more body fat a person carries to work, the less income he or she may carry home. In fact, they find that good health, as represented by a higher level of fat-free body mass, is consistently associated with higher hourly wages.

“The total economic cost attributed to obesity in the U.S. was estimated at \$117 billion in 2000,” says Economics Associate Professor Tekin, a research associate with NBER and a research fellow for the Institute for the Study of Labor in Bonn, Germany. “With more than half of the U.S. population considered overweight or clinically obese, concerns about the consequences – both economic and social – have moved to

the center of public and policy discourse.”

Earlier research that used body weight or Body Mass Index measures suggests that the only group to suffer a personal wage penalty for obesity is white females. Tekin and Wada’s research exposes the flaw in this method. “BMI is well-known among clinical researchers as an imperfect measure,” says Tekin. “It does not distinguish body fat from lean body mass.”

By using two body composition measures to determine obesity – body fat and fat-free mass, also known as lean body mass – their research clearly associates obesity with a wage penalty. Using the same measures, they provide insights into the effect of physical health on wages.

“Our research contributes to the growing literature on the role of non-cognitive factors in determining wages,” says Tekin. It joins other studies in which beauty, height and leadership skills in high school have been proven to generate positive wage effects.

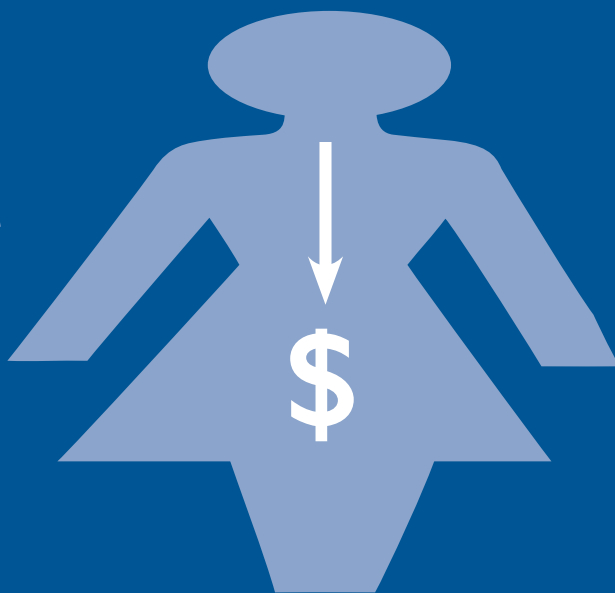
“The variation of wages across individuals has for a long time remained unexplained, despite the large body of economic research on human capital,” he says. “By focusing on the potential role of non-cognitive factors, we are beginning to find some answers.”

### EXTERNALLY FUNDED RESEARCH

Tekin, Erdal. “Investigating the Link between Child Maltreatment and Crime,” with Janet Currie. National Institutes of Health, 2007-2009: \$402,572

\_\_\_\_\_. “Food Stamps and the Working Poor,” with Peter Mueser and David Ribar. W.E. Upjohn Institute for Employment Research, 2007-2008: \$75,000

*... good health, as represented by a higher level of fat-free body mass, is consistently associated with higher hourly wages.*





# grading the states

## IMPROVES GOVERNMENT MANAGEMENT

PMAP Professor Katherine Willoughby grades more than students. She has graded states – 50 states in a year – for the Government Performance Project, a joint effort of The Pew Center on the States and *Governing* magazine.

Willoughby has been the research partner for the “Money” category on the last two GPPs conducted. The Pew Charitable Trusts awarded her a grant of more than \$145,000 to work on the 2008 project, the results of which were published in the “Grading the States” report in March.

Pew created the GPP nearly a decade ago to improve government management. Grading the States offers the only nationwide assessment of state management performance in four areas: information, people, infrastructure and money. The GPP reveals policies and practices that can help governments work more efficiently and effectively.

For the Money section, Willoughby and her team of AYS graduate research assistants evaluated states on how well they conduct long-term budget planning, the timeliness and transparency of their budget process, their ability to balance revenues and expenditures, and the efficacy of their contracting, purchasing, financial controls and reporting systems.

“This year, we found that most states still have problems with their tax structures,” says Willoughby. “State revenues can’t keep up with growing expenditures. On the other hand, since the GPP began, states have made great strides in their long-term budget planning. They do a better job with revenue forecasting and are improving their focus on long-term liabilities, like pensions and other post-employment benefits.”

AYS graduate students Hai “David” Guo (M.A. in Economics, ’07), Sarah Arnett, Seong Soo Oh, Tanya Smiley and Andrea Klug, and alumnus David Trice (M.P.A. ’07) collected and analyzed data from the GPP’s online survey, developed reports and presentations, and met regularly to review each state and assign preliminary grades. Guo, Arnett and Oh are in the Ph.D. program in policy, and Smiley and Klug are M.P.A. candidates.

Gov. Sonny Perdue was invited to Washington, D.C., for the GPP’s March 2008 release of the report to discuss Georgia’s management improvements. The Commission for a New Georgia is an independent council of more than 300 executives that consults with the state on management and performance.

Perdue credits the commission’s work with improving Georgia’s GPP ranking to make it the top state in the Southeast.

Willoughby feels Georgia exemplifies the project’s mission: “Georgia has consistently improved over the four iterations of the Government Performance Project. Gov. Perdue took the 2005 findings and used them to move management improvements forward. That’s exactly what the purpose of the GPP is – to help states advance in their management capacity.”



Panelists at the March release of *Grading the States* are, left to right, Peter Harkness, editor and publisher, *Governing* magazine; Gov. Jennifer Granholm of Michigan; Susan Urahn, managing director, Pew Center on the States; Gov. Sonny Perdue

### ADDITIONAL RESEARCH

Government Performance Project reports: [www.pewcenteronthestates.org/gpp\\_report\\_card.aspx](http://www.pewcenteronthestates.org/gpp_report_card.aspx).

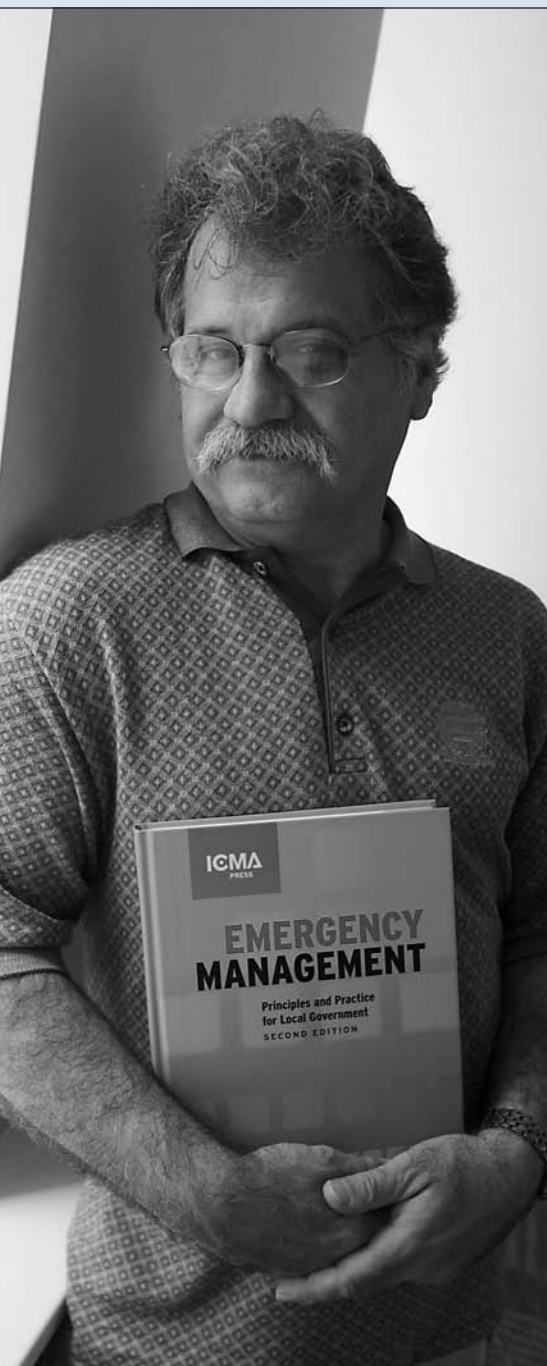
Gomez, Juan Luis and Katherine Willoughby. “Performance Informed Budgeting in U.S. State Governments.” *Presupuesto y Gasto Publico* 51: 389-302, February 2008.

Willoughby, Katherine. “Budget Management Capacity in the States: Issues and Challenges.” *Public Performance and Management Review*, 31 (3): 244-255, March 2008.

\_\_\_\_\_, and Hai (David) Guo. “The State of the Art: Revenue Forecasting in U.S. State Governments.” In Jinping Sun and Thomas P. Lynch, eds. *Handbook of Government Forecasting*, Taylor & Francis Publishers: pp. 244-255, 2007.

# AYS PROFESSOR edits definitive textbook

## on EMERGENCY MANAGEMENT



### IT WASN'T THAT LONG AGO

that emergency management emerged as an important field of study. The first edition of *Emergency Management: Principles and Practice for Local Government*, published in 1991, was a groundbreaking text embraced by managers, researchers and professors who sought to introduce emergency management to public administration curriculum across the country according to the International City/County Management Association.

Since then, the World Trade Center was destroyed and transit stations in Madrid and London were bombed. Many countries have suffered catastrophic natural disasters. Public attention has shifted very quickly to how well – or not – governments plan and execute emergency relief programs.

“Local emergency management is much more complex than it was in the late 1990s,” says PMAP Professor William Waugh. “Several large-scale catastrophic events have affected policy and funding priorities, most importantly, the relationship between government and the public.” Waugh co-edited the second edition of *Emergency Management* with Kathleen Tierney of the University of Colorado in Boulder. (ICMA, December 2007)

“The primary responsibility of local emergency managers is to protect

their communities from the hazards that pose the greatest risks,” writes Waugh. He says hurricanes Katrina and Rita showed the U.S. that its national emergency management system needs to be rebuilt. “The process of rebuilding should focus on two goals: developing the capacities of local emergency managers and first responders, and increasing the disaster resilience of communities.

“Public education is essential because many officials and the public at large still see emergency management as largely a response function,” he continues, and tells why it is important to take the actions necessary to prevent disaster as well as reduce its effects.

*Emergency Management* is organized around three themes: the context and organization of emergency management, its functions and phases, and major issues. “The most important task of the coming years will be to reconcile the priorities of local emergency management with those of the federal government,” Waugh concludes.

Waugh is a member of the Emergency Management Roundtable, a national group of emergency management experts working to define their practice and profession. He sits on the Emergency Management Accreditation Program Commission that sets standards for and accredits state and local emergency man-

*Public education is essential because many officials and the public at large still see emergency management as largely a response function.*

— WILLIAM WAUGH

agement programs and is associated with the National Center for the Study of Natural Hazards and Disasters, a U.S. Department of Homeland Security Center of Excellence. He provided congressional testimony evaluating the new National Response Framework before a subcommittee of the U.S. House of Representatives on Sept. 11, 2007.

#### ADDITIONAL RESEARCH

Waugh, William. *Emergency Management: A Global Introduction*. Armonk, NY: M.E. Sharpe Publishers, forthcoming.

\_\_\_\_\_. *Terrorism and Weapons of Mass Destruction*. CRC Publishers/Taylor & Francis, forthcoming.

\_\_\_\_\_. "Local Emergency Management in the United States After the Katrina Disaster," *Emergency Management Studies*, 1: 3-23, March 2008 (English) and 24-46 (Japanese). *NOTE: This was the lead article in the inaugural issue of the Journal of the Japan Emergency Management Association.*

# A trusting public sees problems differently

Trust matters. When people trust their government, they are willing to bear increasingly significant personal costs – even self-sacrifice – to support new policies, says Christine Roch, an associate professor in PMAP. Examples of this relationship are evident at every U.S. airport in the lines of citizens who dutifully wind their way through Homeland Security check points.

"Trust leads to attitudes about policy that seem to be based on the individual's assessment of society's needs, rather than his or her own self-interest. A citizen who trusts government will place their trust ahead of a negative experience when deciding whether to support governmental activities," she says.

In her paper, "Considering the Dynamics of Problem Definition: Individual Experiences, Social Services, and Public Problems," Roch analyzes the relationship between trust and problem definition by examining data from a survey of people who have used social services. The article is forthcoming in *Politics and Policy*.

"People in this situation tend to have a more positive perception of their individual experience with government agents than they do with the system,"

she says. "When they do have a negative experience, they are less likely to make a big issue out of it if they trust their government and feel that its overall purpose is legitimate."

Roch contributes to the understanding of a key issue in democratic governance: how citizens make judgments that lead to the identification of collective problems. Her research suggests that attitudes and actions governmental officials might interpret as evidence of growing public dissatisfaction with services may reveal, in fact, changing levels of trust in government.

#### ADDITIONAL RESEARCH

Roch, Christine. "State Policy Innovation in Perspective: Courts, Legislatures and Education Finance Reform" (with Robert Howard). *Political Research Quarterly*, 2008.

\_\_\_\_\_. "Social Context and Voting over Taxes: Evidence from a Referendum in Alabama" (with Michael Rushton). *Public Finance Review*, forthcoming.

\_\_\_\_\_. "Citizens, Accountability, and Service Satisfaction: The Influence of Expectations" (with Theodore Poister). *Urban Affairs Review*, 41: 292-308, 2006.

## AYS FACULTY SHARE LESSONS LEARNED WITH CHINESE DELEGATION

A delegation of officials from the Yunnan Province of China visited campus in November to learn more about the relationship between policy schools and government as well as how the AYS assists governments in making policy decisions.

Regents Professor Roy Bahl, Interim Dean Robert Moore, AYS faculty and research associates Carolyn Bourdeaux, John Matthews, Katherine Willoughby, David Sjoquist, Yongsheng Xu and Daniel Franklin, an associate professor of Political Science in the College of Arts and Sciences, met with the Chinese delegation. AYS graduate students served as translators: Huiping Du, Yinghua Jin, Lei Zhang, Hai (David) Guo, Sam Zhou and Wenbin Xiao.

# Who are the environmental stewards in decentralized governments?

If a healthy environment — clean air and water — is a public good, then who should pay when actions within one governmental jurisdiction affect the environmental quality of another? In a decentralized fiscal system, there has been no clear answer:

environmental issues among many levels of government. Their research is part of a larger effort examining policy options for managing urban issues.

"Standard economic analysis has tended to neglect important distinctions and interac-

instruments designed to address environmental problems do not take into account decentralization."

Their paper examines the implications of decentralization in the design of corrective policies in this area.

Markets efficiently make the most of economic resources when comparing private benefits and private costs, yet agents often ignore the "external costs" of their actions, like pollution, says Banzhaf. "When these external effects are significant, markets are not efficient." Economists have considered three broad classes of economic instruments to correct this deficiency: a tax on pollution that equals the marginal costs of environmental damage, a "cap" on pollution that allows for trades and offsets, and regulations on the polluter.

"Given the range of environmental problems facing policy makers, no single policy prescription could possibly be adequate for all problems," they conclude. "While the 'right' policy choice will always be highly contextual, the literature on environmental instruments and fiscal federalism provide important insights into this problem."

## ADDITIONAL RESEARCH

Banzhaf, H. Spencer and Nathan Lavery. "Can the Land Tax Help Curb Urban Sprawl? Evidence from Growth Patterns in Pennsylvania." *Working Paper*, Fiscal Research Center, May 2008.

\_\_\_\_\_, Wallace Oates and James Sanchirico. "The Conservation Movement: Success through the Selection and Design of Local Referenda." *Working Paper*, Fiscal Research Center, April 2008.

\_\_\_\_\_, V. Kerry Smith. "Meta Analysis in Model Implementation: Choice Sets and the Valuation of Air Quality Improvements." *Journal of Applied Econometrics*, 22(6): 1013-1031, 2007.

In "Designing Economic Instruments for the Environment in a Decentralized Fiscal System," written for The World Bank (Policy Research Working Paper 4379, October 2007), James Alm and Associate Professor Spencer Banzhaf look for the best options available when assigning expenditure and tax responsibilities for

tions between the geographic scope of pollutants and the enforcement authority and fiscal responsibilities of various levels of government," says Banzhaf. "It tends to focus on the national perspective, generally ignoring the possibility that this externality may be created and addressed by local governments. Often, economic

Banzhaf and Alm draw their conclusions by synthesizing the literature on environmental instruments with that on fiscal constraints and opportunities in a federal system. They offer principles to consider when designing these instruments, taking into account what governmental level should implement them and what instrument may work best at that level.



James Alm and Spencer Banzhaf





# Economist finds a better way to value protected areas

Countries spend about \$6.5 billion every year on more than 100,000 protected areas around the world, says Economics Associate Professor Paul Ferraro. Protected areas include national parks, wildlife refuges and forest reserves. “Since the early 1970s, countries have relied on this strategy to promote biodiversity conservation.”

Because protected areas can prevent deforestation, which is an important source of greenhouse gases, they are playing an increasingly important role in the recent high-profile debates about climate change. “Poor nations that incur costs to establish protected areas are asking for credits for the global environmental contribution they make with these areas,” says Ferraro.

No one has been able to accurately measure the amount of deforestation these areas prevent, says Ferraro. “It has been difficult to set appropriate baselines for such credits.” Foundations and agencies that finance the establishment of protected areas, like the Global Environment Facility in Washington, D.C., cannot measure the return on their investment. “Conservation scientists and practitioners have become increasingly strident in their demand for more rigorous assessments of these policies and programs.”

Ferraro therefore initiated a project to measure the impact of protected areas on deforestation in Costa Rica, which has a globally renowned protected area system and a historically high deforestation rate. His co-authors are AYS alumnus Kwaw Andam (M.A. in Economics '06, Ph.D. in Public Policy '08), Alexander Pfaff of Duke University and Arturo Sanchez-Azofeifa of the University of Alberta. Their report, “Measuring the Effectiveness of Protected Area Networks in Reducing Deforestation: A Rigorous Impact Evaluation Approach,” under review at the Proceedings of the National Academy of Sciences, intro-

duces a “quasi-experimental methodology” that improves estimates of the amount of forest saved through Costa Rica’s aggressive protection policy.

“‘Avoided deforestation’ is a counterfactual event – something impossible to observe or measure directly,” says Ferraro. Using matching methods, he and his team estimated the deforestation that would have occurred in Costa Rica’s protected forests had they not been protected.

They found that methods traditionally used to estimate the effects of protected areas on changes in land cover overestimate the amount of avoided deforestation by a factor of three or more. These findings have implications for biodiversity conservation and climate change policies, which are discussed in the report.

The quasi-experimental methodology developed by Ferraro and his team provides other researchers a better way

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***‘Avoided deforestation’ is a counterfactual event – something impossible to observe or measure directly.***

**PAUL FERRARO**

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to measure other counterfactual occurrences or trends. “These same methods can be used to evaluate the impacts of other land-use policies such as payments for environmental services or road building prohibitions,” says Ferraro.

## **ADDITIONAL RESEARCH**

Ferraro, P.J. and S.K. Pattanayak. “Money for Nothing? A call for empirical evaluation of biodiversity conservation investments.” *PLoS Biology* 4(4): 482-488, 2006.

\_\_\_\_\_, C. McIntosh and M. Ospina. “The Effectiveness of Listing under the U.S. Endangered Species Act: An econometric analysis using matching methods.” *Journal of Environmental Economics and Management* 54(3): 245-261, 2007.

# Micro data reveals bribery on a macro scale

**IF WAGES FOR PUBLIC WORKERS** are significantly lower than wages in the private sector, how does one explain consumer expenditures and asset holdings that are essentially the same for both sets of workers? In the Ukraine, writes Klara Sabirianova Peter, identical expenses and assets under similar wage differentials “unambiguously indicate the presence of non-reported compensation in the public sector,” which is also known as a bribe.

In “Public Sector Pay and Corruption: Measuring Bribery from Micro Data,” Peter, an assistant professor of Economics, and Yuriy Gorodnichenko of the University of California, Berkeley, develop an aggregate measure of bribery and estimate that it accounted for at least 0.9 percent to 1.2 percent of Ukraine’s Gross Domestic Product in 2003. Their paper was published by the *Journal of Public Economics* in June 2007.

Although corruption exacts high costs in developing countries and transition economies where bribery is endemic, earlier estimates of bribery have been imprecise, sporadic or applicable only to highly specific cases. The authors use micro-level data on observable market outcomes, household spending and asset holdings to estimate the extent of bribery in the public sector in the Ukraine.

Peter and Gorodnichenko found that wage gaps averaged between 24 to 32 percent and were remarkably stable. The gaps could exceed 60 percent among the Ukraine’s most productive and highly paid public workers. “At the same time, workers in both sectors exhibit very similar rates of voluntary separations and labor mobility, and the public sector’s size has remained virtually the same over seven years of data,” they write.

“These findings raise important questions. Why do public sector employees, on average, and the most productive workers, in particular, continue working in this sector despite their reportedly low rate of pay?”

They believe their findings indicate, unequivocally, the presence of additional non-reported monetary compensation “that allows employees in the public and private sectors to enjoy similar levels of consumption.” Their explanation of bribery is consistent with a study of 31 developing countries and numerous media reports and surveys that portray widespread bribery in the Ukrainian public sector.

They also see a broader role for their research methodology. “Studies that combine expenditures/assets and income data are fruitful in the analysis of private-public wage differentials. Since household budget surveys are available for many countries, our analysis can be easily replicated in other transitional and developing countries where bribery is present,” they write.

The research is important, they feel, because “corruption undermines the strength of public institutions and hampers economic growth and development.”

## ADDITIONAL RESEARCH

Sabirianova Peter, Klara and John Earle. “Complementarity and Custom in Wage Contract Violation.” *Review of Economics and Statistics*, forthcoming.

\_\_\_\_\_, Mark Berger and Glenn Blomquist. “Compensating Differentials in Emerging Labor and Housing Markets: Estimates of Quality of Life in Russian Cities.” *Journal of Urban Economics* 63(2008): 25-55.



# States that support small businesses show greater economic gains



New businesses, which generally start as small businesses, offer a wealth of economic benefits to cities and states, or so current thinking goes. Yet

Jonathan Rork found economic theory “rather inconclusive” about whether small firms or large firms, as a group, differ in their impact on overall economic growth, particularly at the state level.

In his study with Donald Bruce, John Deskins and Brian Hill, “(Small) Business Activity and State Economic Growth: Does Size Matter?” in *Regional Studies*, Rork and his co-authors offer findings that may be useful to policy makers at the state level, where a significant number of small business development initiatives are generated.

“The Small Business Administration reports that small businesses are our primary engines of economic growth,” says Rork, an assistant professor in Economics. “These firms are credited with creating more new jobs, employing more workers and generating a greater number of innovations that, when considered

as a whole, result in a larger economic impact than major firms.”

Policy makers are often motivated by the simple observation that small business activity and overall economic growth tend to track together over time, Rork and his co-authors write. However, observing common trends does not necessarily mean that two trends are related, or that more small business activity increases economic growth.

Their study uses U.S. state-level data from 1988 to 2002 to examine the impact of small and large business activity on gross state product, state personal income and total state employment. “We explore the intricate relationships between small business activity and economic activity at this level,” says Rork.

Their empirical study confirms that small business activity has very important impacts on overall state economic growth. “[S]mall establishment births are the single largest determinant of growth in GSP, SPI and employment,” they write. When small business openings are contrasted to closings, which are found to have an equally large but negative impact

on economic growth, their findings suggest that economic growth is faster when the net rate of new firm openings is positive. They also found the positive spillovers of small business activity to be so great that “it does not appear that small business activity is a zero-sum gain between neighboring states.”

“We generally found that states have few options available for enhancing their gross state product, personal income and employment growth rates,” says Rork. “The most productive option is to establish and maintain a fertile environment for the formation of new businesses. Every model we used showed that states with more new small businesses grew at a higher rate over time.”

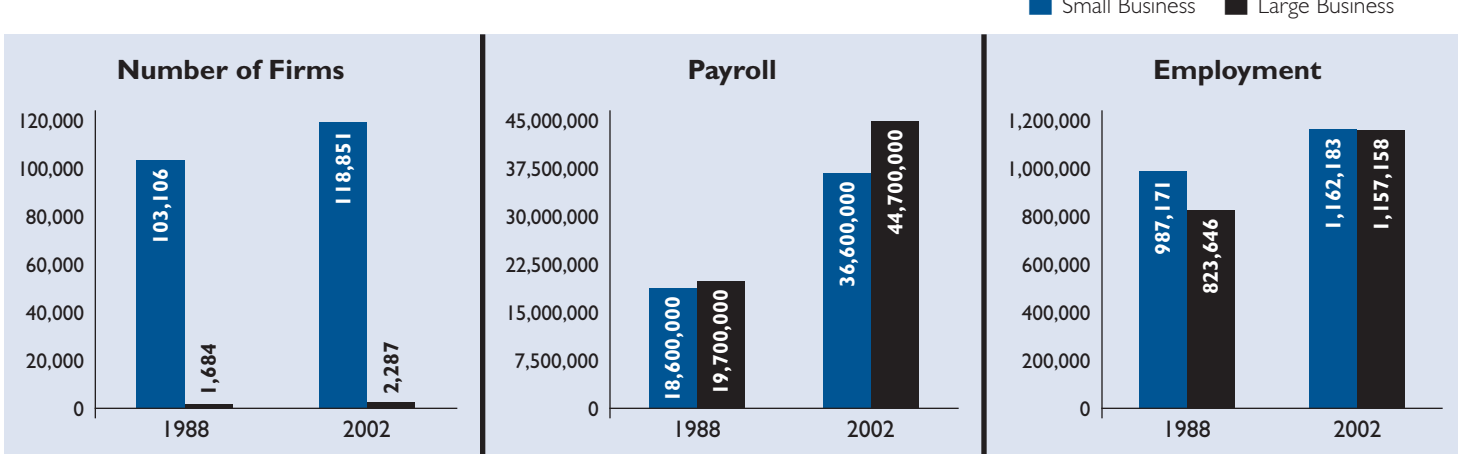
## ADDITIONAL RESEARCH

Rork, Jonathan and K.S. Conway. “Income Tax Preferences for the Elderly.” *Public Finance Review*, forthcoming.

\_\_\_\_\_, T. Ford and B. Elmslie. “Considering the Source: Does the Country of Origin of FDI Matter to Economic Growth?” *Journal of Regional Science*, 48(2): 329-357, May 2008.

## SELECT SUMMARY STATISTICS FOR SMALL AND LARGE BUSINESS MEASURES

Mean Numbers for 1988 and 2002



Note: Small businesses are those with less than 500 employees, large businesses are all others



# reciprocal. altruism

EXCEN SUPPORTS STUDY OF SOCIAL PREFERENCES

People following the stock market might believe that rational thought ended with *homo erectus*. Economist James C. Cox is interested in how opportunities and preferences determine outcomes for *homo economicus* and *homo reciprocans*, rational, well-informed beings – in theory – whose decisions and actions generate greater wealth with minimal labor.

Professor Cox, the Noah Langdale Jr. Chair in Economics, is founding director of the Experimental Economics Center, or ExCEN, at AYS and the only economist among nearly 60 expert Georgia Research Alliance Eminent Scholars. ExCEN

supports research, teaching and policy applications through controlled experiments with human decision makers. Its work promotes the development and application of economics and related academic disciplines as empirical social science.

One of Cox's varied research programs centers on social preferences. He and his co-authors are using economic experiments to reveal behaviors that answer important questions about decision-making processes that address trust, reciprocity and altruism.

In "Revealed Altruism," recently published in *Econometrica*, Cox and co-authors

Vjollca Sadiraj, an assistant professor in Economics, and Daniel Friedman (University of California at Santa Cruz) generalize neoclassical theory to include social preferences and develop a new theory of reciprocal altruism. By asking how choices by one player shift the preferences of another – thereby determining the outcome for the second – they find that a generous choice by the first player will generate greater altruism in the second. They also find that "the effect on preferences is stronger for acts of commission by the First Mover (player) than for acts of omission." Their eco-

nomic experiments provide empirical support for their theory of behavior.

"Being able to make discriminations between distinct motives for behavior is essential to obtaining data that can guide the process of formulating theories of trust and reciprocity," Cox writes in another study, "Trust and Reciprocity: Implications of Game Triads and Social Contexts" (Working Paper 2008-08).



## Young joins guests at AYS Roundtable

Max Sherman, former dean of the Lyndon B. Johnson School of Public Affairs at the University of Texas at Austin, was joined by Andrew Young and Atlanta City Council President Lisa Borders at a roundtable hosted by the AYS, "Remembering Barbara Jordan:



A Moral Voice of the American Political System." Sherman edited the book and DVD, *Barbara Jordan: Speaking the Truth with Eloquent Thunder*, a compilation of speeches written and delivered by the trailblazing Texas state senator and U.S. congresswoman.

In this paper, Cox explores the effects of social context on trust, reciprocity and altruism, a behavior that previous theories of reciprocity or other models of social preferences had overlooked. In a lab experiment he replicates social interaction in a large city, which he calls a “weak” or one-task social context, versus such interaction in household and work environments (strong context).

“Several researchers had previously established the replicable result that the majority of First Movers send positive amounts and the majority of Second Movers return positive amounts in investment game experiments,” he concludes. But their results were “inconsistent with the predictions of the *homo economicus* model.” By developing and using an experimental design that discriminates among observable implications of other possible motivations, Cox finds comparisons that support the conclusion that anonymously paired individuals exhibit positive reciprocity and trust.

Cox continues his examination of rational decision-making in his working paper series: <http://excen.gsu.edu/jccox/papers.jsp#2008-04>.

#### ADDITIONAL READING

Cox, James C., “How to Identify Trust and Reciprocity,” *Games and Economic Behavior*, 46(2004): 260-281.

\_\_\_\_\_, Klarita Sadiraj and Vjollca Sadiraj. “Implications of Trust, Fear, and Reciprocity for Modeling Economic Behavior.” *Experimental Economics*, 11(2008): 1-24.

# New analysis of existing research benefits the study of public management

In the spirit of the day, David Pitts could be considered a “sustainable” researcher. Pitts, a PMAP assistant professor, recently used an often overlooked methodology to examine change in public organizations.

“Public management research has spent decades studying organizational change and innovation,” he says, “yet all too often, students of administrative reform and organizational change fail to recognize how existing research may shed valuable light on their own studies.”

Pitts and co-author Sergio Fernandez of Indiana University use a number of related theories and streams of research to answer a relatively unexplored question: the conditions in which public managers choose to initiate and support change within their organizations. Their article, “Under What Conditions Do Public Managers Favor and Pursue Organizational Change,” was published in *The American Review of Public Administration* in 2007.

“We borrowed generously from existing bodies of research and extracted testable propositions, many of which were supported empirically,” says Pitts. “Generic studies of management and organizational change, in particular, contributed valuable insights into our analysis.”



#### SO WHAT DID THEY FIND USING THIS SUSTAINABLE METHODOLOGY?

“In public administration, the process of change and its implementation is examined, while the question of what leads public managers to favor and initiate change is overlooked,” says Pitts. “Our analysis helps fill this gap.”

A public manager’s attitude and behavior regarding change is influenced by “a complex pattern of push and pull factors operating from various directions,” they find. Managers who favor change have been in charge longer, have more resources at their disposal, and often network outside the organization. Managers who buffer subordinates and allow them considerable discretion create an environment conducive to micro-level innovations useful to the organization. Managers who lack support from their superiors perceive it as a strong signal of dissatisfaction with the status quo, inspiring them to seek changes that better align their organization with the wishes of their overseers.

“Public managers sit at the intersection between pressures for change from political overseers pushing downward and staff innovators and adaptors generating momentum for change from the bottom up,” says Pitts. “How they reconcile these competing claims may largely explain which changes are adopted and the timing and manner in which they are ultimately implemented.”

#### ADDITIONAL RESEARCH

Pitts, David. “Diversity management, job satisfaction, and organizational performance: Evidence from U.S. federal agencies.” *Public Administration Review*, forthcoming.

\_\_\_\_\_, E.M. Jarry. “Getting to know you: Time, ethnicity, and performance in public organizations.” *Public Administration*, forthcoming.

**THE NONPROFIT STUDIES PROGRAM** promotes the principles of economics, public policy analysis and effective management in the nonprofit sector. Former Ambassador Andrew Young, actively engaged in his namesake school, provides the program's vision for socially responsible capitalism well-informed by his life's work.

The program brings together scholars and practitioners from Georgia and the nation who collaborate on research projects that inform public policy. Their work advances the understanding of how the sector functions and helps to improve management tools and practices.

# PROJECT TO IMPROVE nonprofit sector's effectiveness BEGINS WITH RESEARCH



**How many foundations are there in Georgia? How many nonprofit organizations – or public charities? What are their annual revenues? Where are they? Are they growing?**

*Nonprofit Georgia at a Glance* is an easy reference tool for people who need answers about the size, scope and trends of Georgia's nonprofit sector. Full of data and facts assembled by a Nonprofit Studies Program research

team led by Assistant Professor Shena Ashley and Janet Johnson, adjunct professor and senior research fellow, the booklet offers text, tables and exhibits that report on the number of, revenues for, and growth among Georgia's 501(c)3 organizations that report gross revenues greater than \$25,000.

In 2005 the count was 7,119 public charities and 1,573 foundations. They accounted for 2.3 percent and 2.2 percent of all such organizations in the United States.

The profile addresses Georgia's public charities by where they are located and where their funding goes, with comparisons among rural and urban counties, and the characteristics and grant-making

activities of Georgia's top foundations. Analysis was based on several publicly available sources, including 990 and 990-PF tax returns filed in 2000 and 2005.

"This study is different in that it combines an analysis of both foundations and nonprofits," says Ashley. "Especially in terms of foundations, we are looking at philanthropic resources – how much is captured in the state and how much leaks

out of the state. Our booklet provides leaders in the field with a resource they can use to quickly understand the changes in philanthropy the state has undergone since 2000.

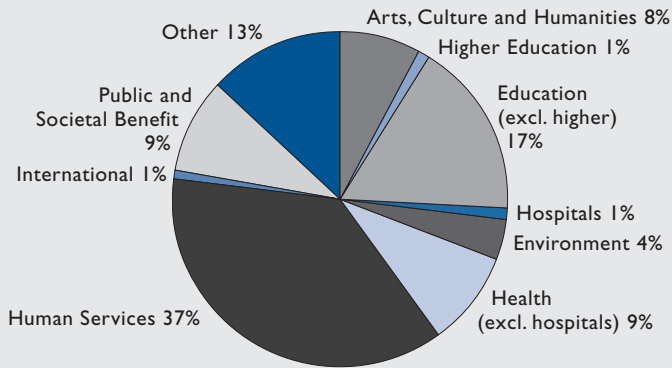
"We are currently going deeper in our analysis of the financial health of nonprofits and are tracking the location of grants made in Georgia to measure the scope of the rural-urban philanthropic divide," she says.



Janet Johnson and Shena Ashley

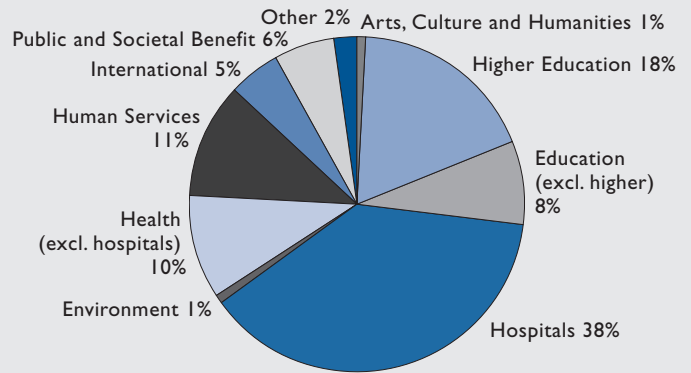


## GEORGIA'S PUBLIC CHARITIES BY SUBSECTOR, 2005



Source: *Nonprofit Georgia at a Glance*

## REVENUES OF GEORGIA'S PUBLIC CHARITIES BY SUBSECTOR, 2005



*Nonprofit Georgia at a Glance* is the first publication in a series of ongoing research on the state's public charities and foundations made possible with a grant from the Glenn Family Foundation. It is the first publication of a larger project called Nonprofit Georgia that sprang from discussions generated by a Philanthropy Study Group about the research needs of Georgia's nonprofit sector. Ashley and Johnson, who lead this effort, will continue to examine recent patterns and trends in Georgia's nonprofit landscape and provide benchmarks for tracking future trends. They will research the operations of public charities, showing how they are financed and different measures of their financial health. They are also following private foundation giving and will show it affects the flow of resources in Georgia's economy.

"When we have gathered all the information we need, we will merge data on nonprofit operations by county with Census and other data on population, income, poverty and other socio-economic indices," says Johnson. "Our

goal is to compare the capacity of Georgia's nonprofit sector against social needs. This analysis will allow us to develop strategies to make philanthropic investments and nonprofits more effective, maximizing the sector's impact on local economies."

AYS graduate students Chase Bricker (M.P.A.), Grace Chikoto (M.P.A. '04, now in Ph.D. in Public Policy) and Cara Brown (M.S. in Urban Policy Studies '08) helped research the material for the first booklet, creating a database on foundation grantees, performing statistical analysis of 990 tax returns and producing maps of nonprofit activity by county.

*Nonprofit Georgia at a Glance* can be downloaded from the Nonprofit Studies Program Web site. Go to <http://aysps.gsu.edu/nonprofit/NonprofitGeorgia.pdf>.

### ADDITIONAL RESEARCH

Ashley, Shena, David Van Slyke and Janet Johnson. "Strategies for Engaging African Americans in Philanthropy." *American Review of Public Administration*, September 2007.

Sjoquist, David, Mary Beth Walker. "An Analysis of Private School Closings." *Education Finance and Policy*, forthcoming.

Young, Dennis. "Nonprofit Umbrella Associations as Reluctant Clubs." *NGO Accountability Clubs: Voluntary Regulation of Nonprofit and Nongovernmental Organizations*, Mary Kay Gugerty

and Aseem Prakash (eds.), Cambridge University Press, forthcoming.

\_\_\_\_\_. "Public Policy and the Nonprofit Sector in the United States." *Policy Initiatives towards the Third Sector in International Perspective*, Benjamin Gidron and Michael Bar (eds.), Plenum Publishers, forthcoming.

## YOUNG SPEAKS AT ARNOVA ANNUAL CONFERENCE



Former Ambassador Andrew Young was keynote speaker at the opening plenary of the 36th annual conference of ARNOVA, the Association for Research on Nonprofit Organizations and Voluntary Action. His comments introduced the conference's theme, The Global Pursuit of Social Justice:

Challenges to Nonprofits and Civil Society.

The Nonprofit Studies Program was one of 15 supporting institutional members for the November 2007 conference, held at the Omni Hotel in Atlanta. With more than 1,300 members in the nonprofit and philanthropic community, ARNOVA serves as "a neutral, open forum committed to strengthening the research community in the emerging field of nonprofit and philanthropic studies." ([www.arnova.org](http://www.arnova.org))

# Knowing one's place

## can improve the success of social enterprises



The practice of social enterprise – the use of nongovernmental, market-based approaches to address social issues – is rapidly gaining traction around

the globe in the absence of state social programs or funding. Yet Assistant Professor Janelle Kerlin believes there are important regional differences in what social enterprise means and how it is supported and developed. These differences may be explained, in part, by variations in the socioeconomic contexts of countries and regions.

Context is critical. “Social enterprise looks different in different places,” says Kerlin. “Understanding the environment in which it operates has important implications for its broader development, especially by nongovernmental organizations and local policy makers.”

She tests this proposition in a chapter titled, “A Comparative Analysis of the Global Emergence of Social Enterprise,” for a book she recently edited, *Social Enterprise: A Global Comparison*, that includes chapters written by researchers and consultants from around the world.

The book will be published by the University Press of New England.

Earlier studies on social enterprise focus on country- or region-specific analysis and case studies. Kerlin is among the first to compare social enterprise as a global phenomenon.

By comparing the emergence of social enterprise in the United States, Western and Central Europe, Japan, Argentina, Southern Africa and Southeast Asia, Kerlin shows that “region-specific factors may have differently shaped the conceptualization of social enterprise including its uses, organizational forms, legal structures and supportive environment.

“Current differences in social enterprise at this level reflect regional socioeconomic contexts,” she says. For her study, she identified unique models for social enterprise in each country and region and compared them with socioeconomic data on their markets, international aid, governments and civil society.

“Social enterprise appears to draw on those dominant socioeconomic factors that offer the most strength in a given region or country,” she con-

cludes. “It appears that existing social structures and institutions shape and dictate the options available for the development of new institutions, including social enterprise.”

Kerlin's findings are important to NGOs and, in fact, any policy maker or provider in this sector. A better understanding of the socioeconomic environment in which a social enterprise is practiced may facilitate the exchange of initiatives, she says, and should improve the sustainability of those that are transferred or adopted.

Perhaps most important, her findings show that international development efforts may do well to leverage the regional strengths and supporting structures already proven effective in the development of social enterprise.

### ADDITIONAL RESEARCH

Kerlin, Janelle. “The Politics of Decentralization and Outcomes for Social Services in Poland.” In Gelazis, Nida (ed.) *Fighting Poverty and Reforming Social Security: What Can Post-Soviet States Learn from New Democracies of Central Europe?* Washington, D.C.: Woodrow Wilson International Center for Scholars, 2007.

### COMPARATIVE OVERVIEW OF SOCIAL ENTERPRISE MODELS AND FOUR SOCIOECONOMIC FACTORS FOR SEVEN WORLD REGIONS AND COUNTRIES

	United States	Western Europe	Japan	Central Europe	Argentina	Southern Africa	Southeast Asia
<b>SOCIAL ENTERPRISE MODEL</b>	Civil Society/ Market	Civil Society/ State	Civil Society/ Market/ State	Civil Society/ Int'l Aid	Civil Society/ Civil Society	Market/ Int'l Aid	Market/ Civil Society/ Int'l Aid
Market Performance	Strong	Strong	Strong	Weak	Weak	Weak	Weak
International Aid	None	None	None	Strong	Weak	Mostly Strong	Weak
State Capability	Strong	Strong	Mostly Strong	Mostly Weak	Weak	Weak	Weak
Civil Society	Strong	Strong	Moderate	Moderate	Moderate	Weak	Weak

# 8th Annual Nonprofit Roundtable



## Accountability expert addresses Nonprofit Roundtable

Keynote speaker Kevin Kearns addressed the topic “Grant-makers and Grantseekers: The Tower of Babel in Outcome Measurement” at the Andrew Young School’s 8th Annual Nonprofit Roundtable held by the Nonprofit Studies Program in April. Professor Kearns directs the Johnson

Institute for Responsible Leadership in the Graduate School of Public and International Affairs at the University of Pittsburgh.



Dennis Young



Deon Locklin



Curt Rousseau

**A PANEL** moderated by Deon Locklin, director of the Public Performance and Management Group, followed with a discussion on evaluation and outcome measurements as viewed by grantmakers, grantseekers and academicians. The roundtable draws leaders from Atlanta’s and Georgia’s nonprofit and foundation communities every year.



Michael Mescon, Stuart Oglesby and Helen Nugen



Rick Aranson, Kevin Kearns and PMAP Professor Ted Poister



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